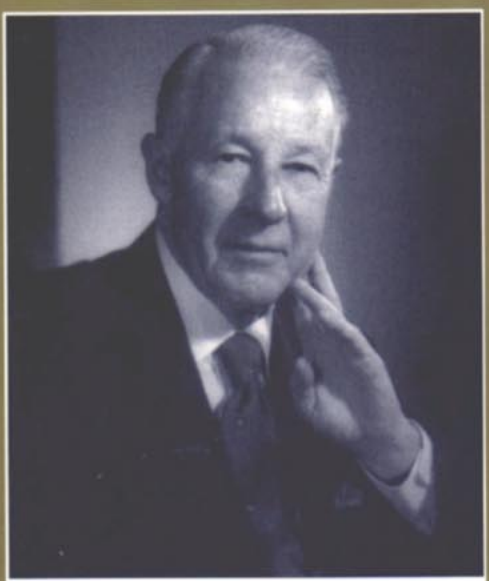
THE FREEMAN

IDEAS ON LIBERTY



Leonard E. Read (1898–1983)

The Spirit of FEE

Fifty Years of Ideas and Influence

The Legacy of Leonard Read

The Role of *The Freeman*

Onward Still

MAY 1996

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Golden Jubilee News

Exclusive! FEE Gold Anniversary Coin

A special one-ounce gold coin has been issued to commemorate FEE's fiftieth anniversary and to honor Margaret Thatcher, speaker at the April 11 Golden Jubilee celebration. The obverse features a beautiful image of Lady Thatcher; the reverse bears the FEE logo and the legend "one troy once .999 fine gold." The issue price is $555.00 per coin. Please call FEE for further information, or to place your order.

An Invitation . . .

Catch the special spirit of FEE: join the growing ranks of *Freeman* readers who have become a part of FEE's network of Freeman Society Discussion Clubs. There are now 112 clubs in 33 states and 9 foreign countries, with more groups forming each month. For more information about starting a discussion club, or joining one in your area, write Dr. Felix R. Livingston, Vice President and Director of Freeman Services, 2814 Hilsdale Harbor Way, Jacksonville, FL 32216, or call/fax (904) 448–0105.

Books from FEE

From Bastiat and Belloc to Hayek and Hazlitt—and beyond—FEE stocks books by many of the authors cited in this issue. Call Kathleen Walsh at (914) 591-7230 to request a complimentary copy of the 1996 FEE Book Catalogue.

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This May 1996 anniversary issue of *The Freeman* is one you'll want to keep—*and* to share with friends and colleagues. Solve the dilemma by ordering at least one additional copy! The more you order, the lower the per-copy price: one copy, $7.00; 2-4 copies, $5.60 each; 5-49 copies, $4.90 each; 50-99, $4.20 each; 100 or more, $3.50 each. All prices are postpaid.

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IDEAS ON LIBERTY

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PERSPECTIVE

An Affirming Flame

For half a century, the Foundation for Economic Education has devoted itself to studying and explaining the principles that underlie a free society, striving to make its message accessible to people from all walks of life.

Those who assume (often automatically) that America is still the model of a free society, might view fifty years of freedom talk as pointless pondering. But others, who comprehend just how far down the socialist path Americans have walked, admire FEE as a champion in the intellectual fight to renew liberty. The seven trustees who founded FEE in 1946 correctly anticipated in their original prospectus that those most interested in FEE's activities would "have no doubts about the decline of economic liberty in America. Coercion is being rapidly substituted for voluntary enterprise. Collectivism is displacing individualism."

By the 1940s, this shift in ideas had marked a critical point in world history. In the United States, the last bulwark of freedom, an understanding of the ideological heritage that yielded the most prosperous country ever was quickly fading as people sanctioned government solutions and political programs to guarantee the good life. In bold contrast, a solitary FEE embarked upon its mission, and emerged as more than an educational organization.

FEE and its founder, Leonard E. Read, would come to occupy a special place in the hearts of many "students of liberty" who, before discovering this wellspring of inspiration and comfort, felt isolated in their thinking. The late Benjamin Rogge referred to Read's FEE as "an island of sanity in an increasingly insane world" and an institution that merited total appreciation for burning "a brilliant and never-failing and affirming flame." In rallying freedom's thought leaders and emulators, FEE fashioned the basic fabric of the modern libertarian movement.

To say that FEE is the "granddaddy" of pro-freedom think-tanks has practically become a cliché—but true nevertheless. Leonard Read was the first to react in an effective, organized way to the rise of collectivism and statism in twentieth-

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FEE's Irvington-on-Hudson home—an 1889 Hudson River mansion purchased and converted into offices in 1946.

century America. He imbued his institution with a style that was to become a trademark—focusing on ideas rather than personalities, searching for truth rather than compromise, and educating self rather than reforming others. FEE's example encouraged the establishment of similar organizations not only in this country but the world over. FEE continues to serve a vital role in the revival of classical liberalism.

Attempting to distill the essence of such an organization's half-century of activities into a single publication would be challenging (if not foolhardy). Nonetheless, this issue of *The Freeman*, the banner publication for the last forty of FEE's fifty years, commemorates the golden anniversary of the Foundation for Economic Education. It is dedicated to Leonard Read and the writers, speakers, editors, staff, trustees, and students who have devoted themselves to FEE's operations or graced the pages of its publications.

Our special issue opens by revisiting the idea that has captured the fancy of world populations and prompted the forming of FEE—socialism in all its versions. Subsequent articles survey trends in collectivist variants found in the United States—welfarism (and its massive costs), democratic statism, government schooling, civil rights legislation, environmental regulation, compulsory unionism, and central banking.

Classic reprints by Leonard Read and Ludwig von Mises illustrate the importance of free markets. We also hear about the resurgence in Austrian Economics, and three authors whose impact on libertarianism was made through the popular press.

In a special series of articles FEE staff members and associates reflect on the Foundation's past and future, its founder, and the development of a literature of freedom—abundant today but scarce at FEE's founding. Current president Hans F. Sennholz advises that FEE's mission is more urgent than ever. Despite the collapse of socialist economies, the United States may be weaker today in the spiritual and moral antecedents of a free society as socialist values live on in the minds of many Americans under various labels.

Finally, the spirit of FEE's golden jubilee could not have been captured without hearing directly from people who have been inspired by FEE. They speak for themselves as their stories and expressions of gratitude are quoted throughout this issue.

—Mark Spangler, *Guest Editor*
Beth A. Hoffman, *Managing Editor*

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THE FREEMAN
IDEAS ON LIBERTY

The World in the Grip of an Idea Revisited

by Clarence B. Carson

The notion of a work under the title *The World in the Grip of an Idea* began to take shape in my mind in 1976, and I began the writing of it in the fall of that year (which was also the thirtieth anniversary of FEE). A somewhat amended and expanded version was published as a book under that title by Arlington House in 1980. Many intellectual and spiritual changes have occurred in the past twenty years, some of them in directions sought by the Foundation for Economic Education. I hope to highlight some of these changes and their relation to the work of FEE by revisiting the theme of this book and placing them in the context of developments in the last several years.

The theme of the book was that the whole world, to varying extents among countries, had come under the sway of an idea, the essence of which was expressed in the convergence of three ideals.

1. To achieve human felicity on this earth by concerting all efforts to achieve common ends.
2. To root out, discredit, and discard all aspects of culture which cannot otherwise be altered to divest them of any role in inducing or supporting the individual's pursuit of self-interest.
3. Government is the instrument to be used to concert all efforts behind the realization of human felicity and the necessary alteration of culture.

This idea, when shaped as a political program, is called by a variety of names, among which are: socialism, collectivism, social democracy, democratic socialism, Fabianism, national socialism, and Communism. Or, it may not be given a generic name at all, but advanced or concealed under such vague terms as democracy or liberalism. Regardless of specific variations, there are essentially two roads to socialism, which is the generic name most commonly applied to the idea that has the world in its grip. Revolutionary and evolutionary socialism are the two approaches, and they form much of the organizational framework of *The World in the Grip of an Idea*.

Revolutionary Socialism

Revolutionary socialism had its foundations in the teachings of Karl Marx and Frederick Engels in the nineteenth century. It came to power in Russia following the Bolshevik Revolution of 1917, led by V. I. Lenin and his cohorts and followers. The touchstone of revolutionary socialism is the violent overthrow of the existing government and system. Marx and Engels put it this way: "The immediate aim of the Communists is that of all the other proletarian

Dr. Carson has written and taught extensively, specializing in American intellectual history.

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parties: formation of the proletariat into a class, overthrow of the bourgeois supremacy, conquest of the political power by the proletariat."[1] Beyond this political revolution, Marx declared the purpose to be "the forceful overthrow of all existing social conditions."[2] The ultimate aim was the transformation of man in a classless society, but "revolution" was a key idea in his ideology, and it distinguishes revolutionary socialism from evolutionary socialism.

The World in the Grip of an Idea gives in-depth treatment to revolutionary socialism in two countries: the Soviet Union and Germany. The Soviet Union was an obvious choice for at least two reasons. One, it was the first country to establish a totalitarian revolutionary socialist government. Communism came to power there first. Two, it became the center for the spread of Communism internationally. Germany was a less obvious choice but was chosen because Nazism was a different variety of revolutionary socialism, though it is not always discussed under that category. Nazism was shortlived, holding power for only 12 years, and its particular ideological mix of racism, nationalism, and socialism never spread elsewhere. But it was a dramatic case of revolutionary socialism whose totalitarian mode has stuck in the public mind.

Moreover, German Nazism made a major impact on the political power configuration in the world during and after World War II. The role of Nazism in World War II is highlighted in my book in a chapter entitled "A Socialist Conflagration." The theme of the chapter is that World War II was at its heart a contest between two revolutionary socialist powers—the Soviet Union and Germany. It was a contest for dominance over the great Eurasian land mass at its center. The United States and Britain threw their weight on the side of the Soviet Union. The defeat of Nazi Germany wiped out what remained of the balance of power on the European continent. This set the stage for the Cold War, a long-term underlying struggle between revolutionary and evolutionary socialism.

The Evolutionary Road to Socialism

Socialists of the earlier nineteenth century either sought to build self-contained socialist communities or were revolutionaries. It was this latter that attracted Karl Marx and that eventuated in Soviet Communism, and its imitators. By the late nineteenth century, some socialists began to become enamored of the idea that socialism could be attained gradually by gaining influence and control over established governments. Theirs would be an evolutionary road to socialism that would not entail revolution, the violent seizure of power, or swift radical changes. It was more than a little influenced by biological evolutionary theories. Peaceful change could be wrought by democracy and labor unions, among other forces, many came to believe.

One of the early proponents of evolutionary socialism was Eduard Bernstein, a Marxist who saw a different road. He thought he saw signs of the peaceful movement toward socialism in developments in the latter part of the nineteenth century. He described them this way:

> In all advanced countries we see the privileges of the capitalist bourgeoisie yielding step by step to democratic organizations. . . . Factory legislation, the democratising of local government. . . , the freeing of trade unions . . . from legal restrictions, the consideration of standard conditions of labour in the work undertaken by public authorities . . . are signs of the evolution.[3]

Evolutionary socialism—whether it is called democratic socialism, social democracy, gradualism, Fabianism, or whatever—is gradualist, statist, interventionist, and collectivist. Its advocates and followers believe that man and society can be improved and transformed by the astute application of government power. The usual result of taking this route to socialism has been the welfare state, but that was more consequence than original intent.

My book deals with evolutionary socialism in depth in three countries: England, Sweden, and the United States. The English

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experience best shows what happened to the original intent. The English socialists were bent on nationalizing all major industries, that is, taking them from their owners and bringing them under government control. The Fabian Society was the spearhead of socialism in England. It consisted initially of intellectuals, who issued tracts, penetrated existing organizations, and attempted to permeate them with socialist ideas. The instrument they finally used to achieve power was the Labour Party. This party finally came into power with an effective majority in the elections in 1945. They moved with haste to nationalize banking, power and light, transport, and iron and steel, and to assert a government role in all areas of the economy. Nationalization, which had never been tried on a large scale in an advanced industrial country before, was given a major trial in England.

The measures were such an abject failure and wrought misery, suffering, and oppression so clearly that other countries were disinclined to imitate England, and, despite the tenacious efforts of the Labourites, the nationalization was eventually abandoned there as well. The welfare measures which the English introduced, such as socialized medicine, had a much longer life.

Sweden, however, was the earliest and most thorough example of the welfare state. The Swedes never showed any great enthusiasm for confiscating or appropriating private property. Instead, they taxed away a large portion of the proceeds from land, labor, and capital to maintain an extensive welfare state.

Evolutionary socialism did not for long go by the name of socialism in the United States. Those who ran for office under that name were overwhelmingly rejected by American voters. On the other hand, socialist ideas made increasing gains in the twentieth century as the underlying premises of political programs, initiatives, and legislation. They entered American political life by way of a series of "four-year-plans," variously called the Square Deal, New Freedom, New Deal, Fair Deal, and New Frontier. The programs were at first called progressive and then liberal and were usually advanced as alleged solutions for various pressing problems. The mode of this gradualist road to socialism in the United States was to centralize and concentrate power in the general government and to make all organizations and people within the country dependent upon government.

The Destructive Impact of Socialism

The World in the Grip of an Idea makes clear with much history and numerous examples the destructive impact of socialism on institutions, societies, and the lives of people. Soviet Communism was oppressive and tyrannical from the outset and became much more so under Joseph Stalin in the 1930s, 1940s, and into the 1950s, and improved only marginally for the next three decades. Evolutionary socialism did not have so drastic an impact as Communism and Nazism, but it worked over the years to gain control of the material substance of the people under it, to undermine their beliefs, to take away much of their independence, and to impose systems that are spiritually, intellectually, politically, and economically bankrupt.

Even so, socialist premises were not usually challenged except by such organizations as the Foundation for Economic Education. Socialism spread around the world, especially in the middle fifty years of the twentieth century. World War II and the defeat of the Nazis, as already noted, provided the opportunity for the spread of Soviet Communism into eastern Europe. During the war, the Soviet Union forcibly annexed Latvia, Estonia, Lithuania, and a portion of Finland. By agreement with Hitler at the beginning of the war, they conquered and claimed part of Poland as well. During the closing year of World War II, as the Red Army moved westward into eastern Europe, the groundwork was laid for Communism in the countries there. In the mid and late 1940s Communist regimes were established in Poland, Czechoslova-

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kia, Hungary, Yugoslavia, Romania, Bulgaria, Albania, and East Germany.

It was at this juncture, in the course of 1948, the Cold War began—an ideological and geo-political, occasionally military, struggle. The Soviet Union was fostering civil wars in Greece and Turkey, and bidding fair to come to power in Italy. The Soviet Union and the United States were the main belligerents in the Cold War, but the struggle encompassed much of the rest of the world at one time or another and in one way or another. It lasted from 1948 to 1989, or thereabouts. Ideologically, it was often described as a struggle between democracy and Communism. To describe it as a contest between democratic socialism and Communism is much more accurate. The prominent allies of the United States in this struggle were more or less openly socialist, and the United States had established a welfare state undergirded by socialist assumptions. Foreign aid became a major means for promoting and sustaining democratic socialism around the world.

The "Wave of the Future"?

The spread of Communism in power can be chronicled as Communist-controlled governments were established. The spread of Communism in eastern Europe has already been described, so we continue the chronicle elsewhere. In 1948, Communist rule was instituted in North Korea. In 1949, Mao Tse-tung proclaimed the People's Republic of China, inaugurating Communism in the most populous country in the world. In 1955, Communism was established in North Vietnam. In 1960, a Council of Revolution seized power in Algeria. In 1965, Cuba became officially a one-party (Communist) state, and South Yemen became a "People's Democratic Republic" (Communist). Guyana became a Communist-dominated country in 1970, and Communist Salvador Allende was elected president of Chile. In 1971, Syria got a pro-Communist dictatorship. In 1972, a revolutionary socialist government was formed in Benin. Communist dictatorship was established in Ethiopia in 1974. In 1975, North Vietnamese Communist forces conquered South Vietnam; the Khmer Rouge imposed Communism on Cambodia; the Pathet Lao organized Communist rule in Laos, and a People's Republic of Mozambique came to power in Africa. Communists came to power in Angola in 1977. Communist-bent Sandinistas took over the government in Nicaragua in 1979, and the Soviet Union sponsored a coup in Afghanistan and installed a Communist regime.

Thus, when *The World in the Grip of an Idea* went to press in 1979, there were many signs that Communism might indeed be "the wave of the future," at least in industrially undeveloped countries. But the story of Communists progressively coming to power is only a part of the story of the spread of Communist influence and socialist ideas. Communist parties were long in operation either openly or clandestinely in most countries of the world. Many countries in which Communists have never come to power have been deeply infected by Communism. Communists have infiltrated labor unions, churches, colleges, and other organizations, and have spread disinformation in many non-Communist as well as Communist publications. In sum, Communist influence has been worldwide. More openly, democratic (or evolutionary) socialist ideas have gained influence, often dominant, in many countries of the world. If there was a country in the world in 1980 not under the influence or in the grip of socialist ideas, it escaped the attention of this writer. Nor has anyone suggested to me since the release of the book that such a country existed in 1980, or in the decades preceding that date.

A Loosened Grip

Since that time, however, the idea has loosened its grip. The election of Ronald Reagan as President of the United States in 1980 signaled not only the loosening of the hold of the idea on Americans but also the widespread appeal of a countervision to that of socialism. Much the same could be said

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for the significance of Margaret Thatcher's becoming Prime Minister of the United Kingdom in 1979. Reagan was re-elected in 1984 and became the first president to serve two full terms since Eisenhower in the 1950s. Mrs. Thatcher held the post of Prime Minister from 1979 to 1990. Their elections and tenure signified the considerable impact of conservative ideas on Anglo-American politics. More certainly than that, however, it was an augury of the declining appeal of the socialist idea or vision.

The most dramatic ideological development since 1980 has been the dissolution and disappearance of the Soviet Union. The Soviet Union was, after all, the centerpiece of Communism from its inception. It was the land, and Moscow was the city, to which admirers and supplicants came from around the world to study and learn about "the wave of the future." The vision of Communism and its propaganda spread from the Soviet center around the world, provoking revolts, succoring imitative political parties, and breeding apologists for the Communist motherland. Many, many socialists in other lands never became Communists, or, if so, only briefly, but they still pinned much of their socialist faith on its purest exemplar, the Soviet Union. The unraveling of the Soviet Empire would surely be the precursor of the decline and demise of Communism, if not the socialist idea itself. Or, so it seemed.

At any rate, the Soviet Empire began to unravel in 1989. The unraveling took place first on the periphery. In March, the Red Army completed its withdrawal from Afghanistan. In August, the Baltic countries (absorbed into the Soviet Union during World War II)—Estonia, Latvia, and Lithuania—demanded independence from the Soviet Union. In October, Hungary assumed independence from the Soviet Union. East Germans poured through Hungary into West Germany without interference. In November, the Berlin Wall crumbled as people tore it apart with no opposition from the authorities. In December, the long-time Communist dictator of Romania, Nicolae Ceausescu, was deposed and killed. The glue was giving way at the edges of the Empire.

The Gorbachev Years

Although the beginning strokes of the unraveling of the Soviet Union caught almost everyone by surprise, in retrospect we can see that events and developments were preparing the way for a change. Mikhail Gorbachev became the dictatorial head of the Soviet Union in 1985. He was 54 years old, the youngest man to come to this position since Joseph Stalin, and the first born since the Bolshevik Revolution, He tended to adjust to changes rather than dominate them by his will. At first, he continued the war in Afghanistan but eventually withdrew. Confronted by the rearming of the United States led by Ronald Reagan, he must have soon realized that the Soviet Union did not have the means to keep pace. Indeed, Gorbachev did initiate some changes which may have prepared the way for the unraveling. One was called *perestroika*, meaning to restructure or make structural changes in the Soviet Union. The main restructuring occurred in the government itself, which no longer supported without resistance the programs advanced by the party bosses. *Glasnost* was another idea advanced by Gorbachev: it means openness, or, perhaps, frankness. In practice, it involved the removal of censorship, the freeing of religious observance, the opening of the Soviet Union to outside observers and the publishing of information about other lands and peoples in the Soviet Union.

The Soviet Union did not long survive *perestroika* and *glasnost*. It survived even more briefly the unwillingness of Gorbachev to use major force to maintain the Empire. The events of 1989 had not brought major reprisals from Moscow. In eastern Europe, the Soviet satellite countries began to operate independently in 1989–1990, forming their own governments, some non-Communist, and all reformed with greater freedoms. But what was much more striking in 1990, the Soviet Union itself split into its constituent parts. As a historian has said, "By the

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end of the year, all 15 of the constituent union republics had declared their sovereignty. . . . As the world watched, Gorbachev seemed destined to lose the contest with the powerful centrifugal forces tearing the mighty Soviet Union apart as the decade of the 1990s opened."[4]

In early 1991, Gorbachev continued to try to keep the Soviet Union intact by some sort of federal union. Instead of succeeding in this, in August, he was confronted with a coup whose leaders took him prisoner and demanded a return to the old Communist system. Boris Yeltsin, President of the Russian Republic, stood firm against the leaders of the coup; the rebellion dissolved and the leaders were imprisoned. Gorbachev resigned as Communist Party leader and in short order the Communist Party lost its preferred position. The Soviet Union continued to deteriorate, as republic after republic reaffirmed or declared its independence. "Gorbachev's efforts to reconstitute the state in one form or another . . . all proved futile in face of the republics' irrepressible nationalism and irresistible determination to seek their own paths to the future. By year's end Gorbachev had become a superfluous president of a vanishing country. . . ."[5] The Soviet Union was no more. A vast Russian Federation under Boris Yeltsin remained—still the largest country in the world—but many lands that had been part of the Soviet Union, such as the Ukraine, Georgia, Kazakhstan, Moldavia, Armenia, and others, were now following an independent course.

Many symbolic changes were made in the wake of the official abandonment of Communism. Statues of Lenin that had dotted the land were removed. Lenin's tomb ceased to be a shrine, and his remains were finally buried. Leningrad became St. Petersburg once again, by the will and vote of the inhabitants. Marx's claim that "Religion is the opiate of the people" was obliterated or obscured where possible. By appearances, Communism had become the wave of the past in Russia.

While statues may be taken down, names changed, building space reassigned, and the physical relics from the past put away, ideas are not so readily discarded or displaced. They leave residues in the minds of people and practices in their ways that may continue after doctrines have been more or less publicly repudiated. I asked the question in 1989, when those events were only getting underway, what would happen "if Communism were to yield up the monopoly of power in those countries in which it now rules?" I see no reason now to alter significantly what I wrote then, which I now quote:

> Would Communism simply wither away and disappear? That is not a very likely prospect. . . . It is unlikely not only because the immediate prospect is for some Communist rulers to cling to their hold on power for the foreseeable future but also because even if there were no longer rulers who claimed a monopoly of power by way of their position in the dominant Communist party there would still be a large residue of Marxism-Leninism around. Every country in the world is infected with at least the outcroppings of socialism of which Marxism was the most successful of the extremes.
>
> For example, every government in the world today is making a greater or lesser effort to manage or control the economy over which it governs. . . . Most countries try to regulate and alter economic activity by their fiscal and monetary policies. . . . It is so widely accepted as to be virtually universal today that governments are responsible for the material well being of the populace that they govern. To that end, they are expected to manage and control the economy, tax and distribute wealth, and provide an assortment of welfare programs.[6]

As expected, some Communist rulers have clung to power, most notably in China, North Korea, Cuba, but elsewhere as well. Even in lands where Communists no longer formally rule, many bureaucrats and members of the privileged *nomenklatura* still hold office and wield power. Former Communists often hold high or top offices. The parties change names; those who govern do not profess Marxism-Leninism, but they were Communists, quite often, and are still imbued with the ideas which they held then to greater or lesser extent.

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This is not said to underrate the great significance of the disintegration of the Soviet Empire and Union and the adoption of many freedoms of the West in these countries. Undoubtedly, too, the tenacious hold of the idea that has had the world in its grip has been loosened somewhat. Ideas are being widely questioned that were once treated as settled once and for all. Few would be so bold today as to declare that socialism is the wave of the future. It is rather to affirm that the world is still to greater or lesser extent in the grip of the idea which has held sway for much of this century.

In the United States, this is still the case. Ronald Reagan could talk the talk of individual liberty, free enterprise, and constitutional government, but without support he could not walk the walk. He championed the reduction of taxes, but he could not advocate the removal of the welfare state at its core. He started out pledging to abolish two departments; instead, he ended up adding a Department of Veterans Affairs. President Bush did not even keep his pledge of no new taxes, much less considering the restoration of constitutional government. The votes may be out there to shake the idea that has the world in its grip, but thus far politicians tend to waffle when confronted with tenacious defenders of the status quo. The Republicans who mustered majorities in both houses in 1994 may, with block grants and audacity, foist upon the states the responsibility for determining the fate of the idea that has the world in its grip. Then again, they may not.

The idea that has the world in its grip has great attraction for peoples around the world. The notion that government is responsible for the material and intellectual well-being of populaces has great appeal, especially when it is accompanied by actual payments and subsidies from government. Many people become dependent upon government handouts, and even those who are not particularly dependent may lose confidence in their ability to provide for themselves. These feelings, attitudes, and practices are residues from the better part of a century of socialism in its several varieties. They have produced vastly overgrown governments and the politicalization of life. Governments and politicians are the problem, not the solution.

Sturdy individuals, stable families, vital communities, limited government, and faith in a transcendent God who provides for us through the natural order and the bounties of nature—these alone can break the grip of the idea. It is now a cliché that socialism is a failure; it now is the fullness of time to act upon the insight that gave rise to its fall. □

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"Anyone concerned with the post-war history of the libertarian and conservative movements acknowledges instantly the extraordinary debt to the Foundation for Economic Education. It has been inspiring, insistent, hospitable, influential – what more would one wish. With congratulations on your anniversary."

– William F. Buckley Jr.
National Review

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THE FREEMAN
IDEAS ON LIBERTY

The Welfare State: Promising Protection in an Age of Anxiety

by Robert Higgs

Anxiety, according to *The Random House Dictionary,* denotes "distress or uneasiness of mind caused by apprehension of danger or misfortune." By this definition, the twentieth century qualifies as an age of anxiety for Americans.

There is irony in this condition, because in many respects we twentieth-century Americans have enjoyed much more security than our forebears. Our life expectancy has been longer, our work easier and more remunerative, our style of life more comfortable, stimulating, and unconstrained. Yet notwithstanding all objective indications that our lives are better than those of our ancestors, we have become incessant worriers.

Our predecessors dealt with their worries by relying on religious faith. For tangible assistance, they turned to kinfolk, neighbors, friends, co-religionists, and comrades in lodges, mutual benefit societies, ethnic associations, labor unions, and a vast assortment of other voluntary groups. Those who fell between the cracks of the voluntary societies received assistance from cities and counties, but governmentally supplied assistance was kept meager and its recipients stigmatized.

In the twentieth century, especially during the past sixty years, Americans have placed their faith in government, increasingly in the federal government. Since Franklin Delano Roosevelt assumed the presidency in 1933, voluntary relief has taken a back seat to government assistance. Eventually, hardly any source of distress remained unattended by a government program. Old age, unemployment, illness, poverty, physical disability, loss of spousal support, child-rearing need, workplace injury, consumer misfortune, foolish investment, borrowing blunder, traffic accident, environmental hazard, loss from flood, fire, or hurricane—all became subject to government succor.

Our ancestors relied on themselves; we rely on the welfare state. But the "safety net" that governments have stretched beneath us seems more and more to be a spider's web in which we are entangled and from which we must extricate ourselves if we are to preserve a prosperous and free society.

Bismarck, Soldiers, and Mothers

The modern welfare state is often viewed as originating in Imperial Germany in the 1880s, when the Iron Chancellor, Prince Otto von Bismarck, established compulsory accident, sickness, and old-age insurance for workers. Bismarck was no altruist. He intended his social programs to divert workingmen from revolutionary socialism and purchase their loyalty to the Kaiser's re-

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gime, and to a large extent he seems to have achieved his objectives.

In the late nineteenth century, no aspiring American social scientist regarded his education as complete without a sojourn in a German university, and the impressionable young men brought back to the United States a favorable view of Bismarckian social policies absorbed from the teachings of Deutschland's state-worshiping professoriate.[1] Men such as Richard T. Ely, Edward A. Ross, Henry Carter Adams, and Simon Patten transported ideas and outlooks that persisted through several generations. Consider, as only one example, that Edwin Witte, the chief architect of the Social Security Act of 1935, was a student of John R. Commons, who was a student of Ely (described by Joseph Schumpeter as "that excellent German professor in an American skin"[2]).

While Ely and the others were preaching their Germanic doctrines, an incipient welfare state was emerging quite independently in the United States through a far-reaching expansion of the pensions provided to Union veterans of the Civil War. Originally the pensions went only to men with proven service-related disabilities and their dependent survivors. But politicians, especially the Republicans, recognized that they could buy votes by dispensing the pensions more liberally. Eligibility rules were stretched farther and farther. Eventually no service-related disability needed to be proved, no combat experience was required, and old age alone was sufficient for a veteran to qualify. Some Congressmen even went so far as to change the official military records of deserters in order to award them pensions through special acts of Congress.[3]

Between 1880 and 1910 the federal government devoted about a quarter of its spending to veterans' pensions. By the latter date more than half a million men, about 28 percent of all those aged 65 or more, were receiving pensions, as were more than 300,000 dependent survivors of veterans. Moreover, thousands of old soldiers lived in homes maintained by the federal government or the states.[4]

That politicians turned the legitimate pension system for injured veterans and their survivors into a political patronage machine should hardly have come as a surprise. Buying votes and dispensing patronage are what elected politicians normally do unless rigidly constrained. The doleful experience might well have served as a warning, and for a while it did, but eventually the lesson was forgotten.

During the first three decades of the twentieth century, when middle-class political movements generally refused to support proposals for comprehensive social spending programs on the grounds that elected politicians would abuse them, women's organizations, including the General Federation of Women's Clubs and the National Congress of Mothers, lobbied successfully for the establishment of state mothers' pensions.[5] These small, locally administered stipends went to "respectable impoverished widows" to allow them to care for children at home. Between 1911 and 1928 forty-four states authorized such payments.[6] In 1935, with passage of the Social Security Act, the federal government joined forces with the states in financing an extension of the mothers' pensions, Aid to Dependent Children (ADC)—later called Aid to Families with Dependent Children (AFDC), which ultimately became nearly synonymous with "welfare."

Also, during the second decade of the twentieth century, all but six states enacted workmen's compensation laws, which removed workplace injury claims from the courts and required that employers carry insurance to pay compensation for various types of injury under a system of strict liability.[7]

The First Cluster, 1933–1938

Between 1929 and 1933 the great economic contraction left millions of Americans destitute. State and local governments, straining to provide unprecedented amounts of relief while their own revenues were shrinking, called on the federal government for help. President Herbert Hoover opposed

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federal involvement in relief efforts, but he reluctantly signed the Emergency Relief and Construction Act of 1932, which transferred federal funds to the states for relief of the unemployed (under the fiction that the transfers were loans).

After Roosevelt took office the federal government immediately launched into vast relief activities. The Federal Emergency Relief Administration (FERA), directed by welfare czar Harry Hopkins, channeled funds to the states—half in matching grants ($1 for $3) and half in discretionary grants. The money went to work-relief projects for construction of roads, sewers, and public buildings; to white-collar beneficiaries such as teachers, writers, and musicians; and to unemployable persons including the blind, crippled, elderly, and mothers with young children.[8]

Hopkins's discretionary allocations and his oversight of the federal money embroiled the FERA in political controversy. Politicians fought fiercely for control of the patronage inherent in determining who would get the relief money and jobs and fill the 150,000 administrative positions. "Governor Martin Davey of Ohio had an arrest warrant sworn out for Hopkins should he set foot in the state, and a number of politicians, the most notable being Governor William Langer of North Dakota, were convicted of misusing funds and served time in jail."[9]

Also in 1933, Congress created the Civilian Conservation Corps, to put young men to work in outdoor projects under quasi-military discipline; the Public Works Administration, to employ people in building public works such as dams, hospitals, and bridges; and the Civil Works Administration, to operate hastily contrived federal make-work projects for more than 4 million of the unemployed during the winter of 1933–1934.

In 1935, with 7.5 million workers (more than 14 percent of the labor force) still unemployed and another 3 million in emergency relief jobs,[10] Congress passed the Emergency Relief Appropriation Act, under authority of which FDR created the Works Progress Administration (WPA) to hire the unemployed. The President appointed Hopkins as administrator. By the time it was terminated eight years later, the WPA had paid out more than $10 billion for 13.7 million person-years of employment, mostly in construction projects but also in a wide range of white-collar jobs including controversial support for actors, artists, musicians, and writers.[11]

Like the FERA, the WPA engaged the ambitions of state and local politicians in a "cooperatively administered" arrangement that set a pattern for many subsequent welfare programs Under federally issued guidelines and with mostly federal funding, state and local officials got substantial control of the patronage. Local governments usually designed the projects, selecting workers from their relief rolls and bearing a small portion of the costs. Republicans correctly viewed the WPA as a massive Democratic vote-buying scheme. WPA projects were frequently ridiculed, as in the following stanzas of a contemporary song:

> We're not plain every day boys,
> Oh, no, not we.
> We are the leisurely playboys
> Of industry,
> Those famous little WPA boys
> Of Franklin D.
>
> Here we stand asleep all day
> While F. D. shooes the flies away
> We just wake up to get our pay
> What for? For leaning on a shovel.[12]

The spirit of this song persisted ever afterward, as many tax-paying private employees have resented those employed in government make-work projects (often described in later days as "training" programs).

During the first two years of his presidency, Roosevelt came under growing pressure from more radical politicians. Louisiana Senator Huey Long touted his Share Our Wealth Plan for a sweeping redistribution of income and gained a national following in 1934 and 1935. Simultaneously, California physician Francis Townsend recruited millions of supporters for his

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Townsend Plan, under which people over sixty years of age would retire and receive from the government a monthly stipend of $200 on the condition that all the money be spent within thirty days. To head off the mass appeal of such outlandish proposals, FDR formed in 1934 a Committee on Economic Security, whose Executive Director was Edwin Witte, to formulate a plan for a national social security system.

This planning bore fruit in 1935 when Congress passed the Social Security Act, the foundation of America's welfare state. The act gave federal matching funds to the states for assistance to the aged poor, the blind, and dependent children. It levied a payroll tax, 90 percent of which would be refunded to states that established acceptable unemployment insurance systems. (All of them did.) And it created a national old-age pension program disguised as insurance but actually, especially after amendments in 1939 added surviving dependents as recipients, a scheme for transferring current income from working to nonworking people.

From that time forward, defenders of the pension system denied that it was a "welfare" program for redistributing income. "It was portrayed instead as a huge set of public piggy banks into which individual prospective 'beneficiaries' put away 'contributions' for their own eventual retirements."[13] In the 1950s, 1960s, and 1970s, congressional incumbents made the pension system a fabulous vote-buying machine, as they repeatedly extended its coverage, added Disability Insurance in 1956, raised the benefits and even, in 1972, indexed the pensions to protect them from inflation. Only in the 1990s did a substantial portion of the public begin to recognize that the piggy-bank depiction was a myth and that the system faced bankruptcy as the ratio of taxpayers to recipients slipped ever lower because of demographic changes.[14]

As the New Deal was breathing its last in 1938, it brought forth the Fair Labor Standards Act. This established a national minimum wage (originally 25 cents per hour for covered employees but scheduled to rise to 40 cents over seven years), fixed a maximum work week (originally 44 hours but scheduled to fall to 40 by 1940), set a 50 percent premium for overtime work, prohibited the employment of children under sixteen years of age in most jobs, and authorized the Department of Labor to enforce the law.[15] Afterward, Congress raised the minimum wage repeatedly. It is now $4.25 per hour. This pseudo-welfare measure has proven to be an effective means of increasing the unemployment rate of low-productivity workers (those who are young, ill-educated, or inexperienced), but continuing support by leftist politicians and labor unions has prevented its repeal.

The GI Bill

In the spring of 1944, with elections looming and 11.5 million men—most of them draftees—in the armed forces, FDR and Congress saw the wisdom of accepting the American Legion's proposals to create unprecedented benefits for veterans: hence the Servicemen's Readjustment Act, popularly known as the GI Bill of Rights. Besides guaranteeing medical care in special veterans' hospitals, the law provided for pensions and vocational rehabilitation for disabled veterans, occupational guidance, unemployment benefits for up to 52 weeks, guaranteed loans for the purchase of homes, farms, or businesses, and stipends and living allowances for up to four years for veterans continuing their education.[16] Most of the 16 million veterans of World War II took advantage of the unemployment and educational benefits. And by 1962 the Veterans' Administration had insured more than $50 billion in loans.[17]

Even though the veterans' program applied to only a minority of the population, it helped to retain the momentum of the burgeoning welfare state. "When the steam appeared to have escaped from the engine of the New Deal by 1945, the World War II nondisabled veterans' benefits—by design and chance—provided new sources of energy."[18] The GI Bill set an irresistible precedent, and later legislation provided similar

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benefits for veterans of the Korean War and, in 1966, even for those who served in the armed forces in peacetime.[19]

The Second Cluster, 1964–1972

With the succession of the ambitious New Dealer Lyndon B. Johnson to the presidency, the drive to build the welfare state became ascendant again. The election of 1964 brought into office a large, extraordinarily statist Democratic majority in Congress. Keynesian economists were assuring the public that they could fine-tune the economy, taking for granted a high rate of economic growth from which the government could reap a perpetual "fiscal dividend" to fund new programs. John Kenneth Galbraith, Michael Harrington, and other popular social critics condemned the failures of the market system and ridiculed its defenders. The public seemed prepared to support new measures to fight a "War on Poverty," establish "social justice," and end racial discrimination. Hence the Great Society.[20]

Congress loosed a legislative flood by passing the Civil Rights Act of 1964. Among other things, this landmark statute set aside private property rights and private rights of free association in an attempt to quash racial discrimination. But the ideal of a color-blind society died an early death, succeeded within a few years by "affirmative action"—an array of racial preferences enforced by an energetic Equal Employment Opportunity Commission and activist federal judges.[21]

Congress proceeded to pass a variety of laws injecting the federal government more deeply into education, job training, housing, and urban redevelopment. The Food Stamp Act of 1964 gave rise to one of the government's most rapidly growing benefit programs: in 1969 fewer than 3 million persons received stamps, and federal outlays totaled $250 million; in 1981, 22 million persons received stamps, and federal outlays totaled $11 billion.[22] The Community Action Program aimed to mobilize the poor and raise their incomes. When Congress appropriated $300 million to create community action agencies, a wild scramble to get the money ensued, led by local politicians and, in some cities, criminal gangs—as vividly portrayed in Tom Wolfe's tragicomic tale *Mau-Mauing the Flak Catchers* (1970).

In 1965 Medicare was added to the Social Security system, insuring medical care for everyone over 65 years of age. Medicaid, a cooperatively administered and financed (state and federal) program, assured medical care for welfare recipients and the medically indigent. As usual, these programs were not exactly what they were represented to be. "Most of the government's medical payments on behalf of the poor compensated doctors and hospitals for services once rendered free of charge or at reduced prices," historian Allen Matusow has observed. "Medicare-Medicaid, then, primarily transferred income from middle-class taxpayers to middle-class health-care professionals."[23]

The federal government's health programs also turned out to be fiscal time bombs. Between 1970 and 1994, in constant (1987) dollars, Medicare outlays increased from $16.4 billion to $109.3 billion; the federal portion of Medicaid from $7.7 billion to $63.5 billion.[24] Like the old-age pensions, these programs achieved rates of growth that could not be sustained indefinitely.

Other Great Society measures to protect people from their own incompetence or folly included the Traffic Safety Act (1966), the Flammable Fabrics Act (1967), and the Consumer Credit Protection Act (1968).

After Richard Nixon became President, highly significant measures continued to pour forth from Congress—the National Environmental Policy Act (1969), the Clean Air Act Amendments (1970), the Occupational Safety and Health Act (1970), the Consumer Product Safety Act (1972), the Water Pollution Control Act (1972), and the Equal Employment Opportunity Act (1972), to name but a few. Nixon also wielded his congressionally authorized power to impose comprehensive wage and price controls between 1971 and 1974, thereby (spuriously) protecting the public from the inflation cre-

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ated by the monetary policies of the Federal Reserve System.

The Welfare State Marches On

Although the growth of the welfare state has slowed during the past twenty years, it has scarcely stopped. Such recent measures as the Clean Air Act Amendments (1990), the Nutrition Labeling and Education Act (1990), the Safe Medical Devices Act (1990), the Americans with Disabilities Act (1990), the Civil Rights Act (1991), and the relentless power-grabs of the Food and Drug Administration show that our rulers remain as determined as ever to protect us from ourselves—to treat us as a shepherd treats his flock, and with similar regard for our intelligence and our rights.

If we cared nothing for our own freedom, we might be inclined to accept the ministrations of the welfare state with gratitude. But even then our contentment would be disturbed by the large extent to which the government fails to deliver what it promises. To be blunt, the government's protection is largely fraudulent. Officials pretend to protect citizens and promote social harmony while actually accomplishing the opposite. Thus, the government's affirmative action programs have actually fostered racial acrimony and conflict rather than racial harmony.[25] The environmental laws have caused many billions of dollars to be squandered in mandated actions for which costs vastly exceeded benefits.[26] And the Food and Drug Administration, far from improving public health, has caused (at least) hundreds of thousands of excess deaths and untold human suffering.[27] It is bad enough that citizens are viewed as sheep; it is worse that they are sheared and slaughtered.

Fifty years ago Bertrand de Jouvenel wrote, "The essential psychological characteristic of our age is the predominance of fear over self-confidence. . . . Everyone of every class tries to rest his individual existence on the bosom of the state and tends to regard the state as the universal provider." But this protection costs the public far more than the high taxes that fund its provision: "if the state is to guarantee to a man what the consequences of his actions shall be, it must take control of his activities . . . to keep him out of the way of risks."[28] In the interval since Jouvenel was writing, the demand for government protection has risen to new heights, and the corresponding loss of individual liberties has proceeded apace.

If we are to regain our liberties, we must reassert our responsibilities for ourselves, accepting the consequences of our own actions without appealing to the government for salvation. To continue on the road we Americans have traveled for the past century is ultimately to deliver ourselves completely into the hands of an unlimited government. It will not matter if democratic processes lead us to this destination. As noted above, the making of the welfare state has been from the very beginning a matter of corrupt vote-buying and patronage-dispensing by politicians—democracy in action.

> And one sad servitude alike denotes
> The slave that labours and the slave that votes.[29]

We can have a free society or a welfare state. We cannot have both. □

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THE FREEMAN
IDEAS ON LIBERTY

Losing Freedom Costs a Lot

by John Semmens

Over the last fifty years, the federal government in the United States has taken on behemoth proportions. Six new cabinet departments have been created (Education, Energy, Health and Human Services, Housing and Urban Development, Transportation, and Veterans Affairs). Twenty new "independent establishments and government corporations" have been added to the thirty that existed in 1945. Nine new mini-bureaucracies now report directly to the President (there were none in 1945).

The creation of new bureaucratic fiefdoms, robust as it has been, understates the expansion of the federal government. Bureaucracy, new and old, has been extending its reach into more and more facets of daily life. The federal government may require your child to be bussed to a school across town in order to achieve racially "balanced" student bodies. The federal government may dictate what you can and cannot say in a classified newspaper ad seeking to offer or obtain services, rent property, or acquire a roommate. The federal government may prevent you from improving your property (or saving your house from burning down) in order to protect the habitat of the kangaroo rat.

Congress has authorized an army of bureaucrats to invent a plethora of new rules and regulations. Each year, nearly 100,000 pages of new rules and regulations are issued. Almost all of these accrete on top of, rather than supplant, previous rules and regulations. Consequently, it is not uncommon for the victims of these rules and regulations to be required to engage in contradictory actions. For example, to protect workers from being run over by vehicles used in the workplace, the federal government mandates that vehicles be equipped with "beepers" to warn of their approach. To protect workers from hearing damage, the federal government mandates that they wear earplugs.

This enhanced meddling has not come cheaply. In 1945, the federal government spent $10 billion on nondefense outlays. By 1994, nondefense spending had risen to over $1,200 billion. This is nearly a 12,000 percent increase. Of course, inflation has something to do with the apparent size of this expansion in federal spending. (Although, even here, the federal government is neither a passive nor innocent victim of inflation.) There also has been population growth to contend with. If we put aside the government's complicity in creating inflation and adjust spending in 1945 to the 1994 purchasing power equivalent, we find that the federal government was laying out about $590 per person for nondefense spending in 1945. By 1994, this figure had ballooned to over $4,600 per person, nearly a 700 percent increase.

Fortunately, a growing private sector was able to offset some of this increasing burden on the nation's economy. Still, the federal government has taken increasingly larger bites out of the nation's wealth. In 1945, the

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Growth in Federal Government Spending Since 1945

Year	Non-Defense Spending ($ in billions)	Spending As a % of Gross Domestic Product	Spending Per Capita	Transfer Payments ($ in billions)	Transfer Payments Per Capita
1945	$ 10	5%	$ 69	$ 2	$ 14
1950	$ 29	10%	$ 190	$ 14	$ 93
1955	$ 26	6%	$ 155	$ 15	$ 90
1960	$ 44	9%	$ 244	$ 26	$ 145
1965	$ 68	10%	$ 348	$ 37	$ 188
1970	$ 114	11%	$ 555	$ 75	$ 367
1975	$ 246	15%	$1,138	$173	$ 802
1980	$ 457	17%	$2,007	$313	$1,376
1985	$ 694	17%	$2,909	$472	$1,978
1990	$ 953	17%	$3,815	$619	$2,478
1994	$1,204	18%	$4,618	$880	$3,375

federal government's nondefense spending consumed about 5 percent of the Gross Domestic Product (GDP). That is, the federal government confiscated and spent 5 percent of the wealth created by the economy in 1945. By 1994, the federal government was confiscating and spending 18 percent of the GDP.

The Growth of "Income Transfer" Programs

While infesting society with new rules and regulations has imposed substantial costs on the economy, most of these costs are borne by businesses and individuals, and thus, do not show up in the aforementioned figures. What does show up in these figures is the tremendous expansion of "income transfer" spending. Government "income transfer" programs have institutionalized the "robbing Peter to pay Paul" concept. Dissatisfied with the mutually agreeable and voluntary exchanges between "Peter" and "Paul," the federal government has undertaken an array of schemes to impose involuntary, and frequently disagreeable, exchanges. A considerable portion of the population has thereby been persuaded that it is not a disgrace to adopt the mind set of beggars, whiners, and thieves when it comes to debating public policies.

In 1945, "income transfer" programs accounted for only $2 billion of federal spending. By 1994, this type of spending had increased to nearly $900 billion. In 1945, 20 percent of the federal government's nondefense spending was of the "robbing Peter to pay Paul" variety. By 1994, nearly 75 percent of federal government's nondefense spending was of this type. If this $900 billion in "income transfer" spending were distributed evenly over the entire population, it would amount to over $3,000 per person. Of course, this spending is not distributed equally. Some receive much larger shares of the "loot." Others receive less. Still others must have their pockets picked, their bank accounts embezzled, and their earnings diverted to provide the "loot."

What Might Have Been

All of this government intervention was supposed to have improved the "security" of the average guy. Nonetheless, the current American economy seems lethargic by past standards. Real wages appear to have stagnated for the last two decades. Between the inefficiencies inflicted by excessive regulation and the oppressive burdens of taxes extracted to support the massive spending increases of the federal government over these last five decades, the economy has fallen far short of its potential. To get an inkling of how far short of its potential the economy has fallen, let's consider the question of opportunity cost. That is, what the situation might be today if a different path

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Alternate Inflation-Adjusted Federal Government Spending Scenarios
(in 1994 dollars)

Year	Actual Non-Defense Spending ($ in billions)	Spending at 1945 Levels ($ in billions)
1945	$ 83	$ 83
1950	$ 180	$ 90
1955	$ 144	$ 98
1960	$ 223	$107
1965	$ 321	$115
1970	$ 439	$121
1975	$ 684	$127
1980	$ 830	$134
1985	$ 965	$141
1990	$1,092	$147
1994	$1,204	$154

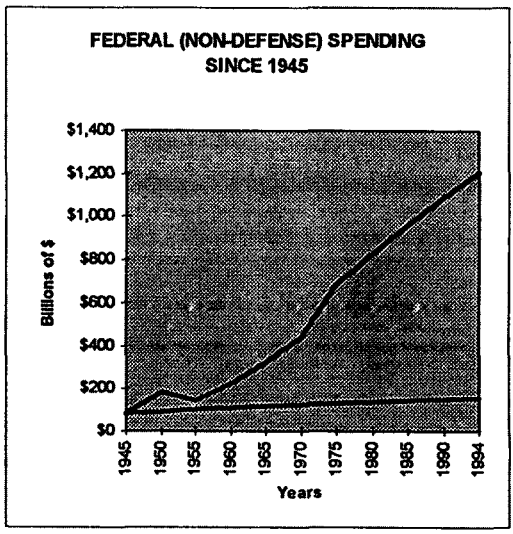
had been chosen in 1945. While measuring the opportunity cost of excessive regulation would be difficult, if not impossible, we can get a glimpse of what the magnitude of such an opportunity cost might be in the case of excessive spending.

For our thought experiment, we will consider what might have happened if the federal government's per capita nondefense spending had remained at the level in effect in 1945. Remember, 1945 was after President Franklin Roosevelt's "New Deal" had already substantially increased the government's role in our society. For this experiment we will also convert all money figures into their 1994 purchasing power equivalent.

In dollars of 1945 purchasing power, federal nondefense spending was $10 billion in 1945. In dollars of 1994 purchasing power, federal nondefense spending was $83 billion in 1945. In the history that did take place, federal nondefense spending rose to $1,204 billion by 1994. If per capita nondefense spending had been held to 1945's inflation adjusted levels, population growth would have boosted this spending to only $154 billion by 1994. That is, the federal government could now be spending over a trillion dollars less per year than it now spends.

If the government were spending a trillion dollars per year less, the private sector would have a trillion dollars more to spend. This is more than $4,000 per person per year. Consumers could satisfy more of their needs and wants. Businesses would have more resources for expanding operations, acquiring more equipment, and inventing new technology. If only 5 percent (the average post 1945 savings rate) of this difference between actual federal spending and the lower levels projected in our thought experiment had been invested at a 3 percent per year rate of return (the long-term average rate of real growth of the American economy), there would be more than a trillion dollars of additional capital available to support employment opportunities and wages. Since it currently requires about $50,000 in capital to support each job, this translates into a hypothetical additional 20 million jobs. Inasmuch as the number of unemployed workers is only one-third of this amount, this additional capital would likely have also resulted in higher wages. To the extent that a less burdensome government might have permitted even higher rates of saving and returns on investment, the material abundance available to the average American would be several times what it is at present.

So, not only have our freedoms been eroded, we have also paid a heavy price



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in terms of sacrificed material well-being. Since a major announced motivation for the expansion of government has been to ensure our "social security," we have not gotten what we have "paid" for. Instead, we have confirmed Ben Franklin's fear that a nation willing to trade freedom for security will end up losing both.

As bleak as the preceding analysis appears, we are not without hope. While the momentum of government has carried it far down the road to turning us all into serfs, the intellectual support for this direction has been severely compromised. The socialist premise upon which the massive expansion of government has been based has been undermined by the relentless efforts of those dedicated to promoting a freedom philosophy.

The Foundation for Economic Education has been a continuing force in promoting this freedom philosophy in the post-1945 period. Founded when the idea of freedom was at its lowest ebb in American history, FEE has contributed to the revival of the appreciation for the value of a free society. Cutting government "services" is now a respectable, perhaps even dominant, policy option in public debate. Governments around the globe are actively seeking ways to "privatize" government operations, cut taxes, and return liberties to the people. FEE has served and will continue to serve as an illuminator of the path to a better, freer world. □

"Fellow FEE trustee Bill Dykes and I, along with others we had recruited, put together a discussion group that continued for many years. Eventually formal meetings stopped. Then when I returned to Canton ten years ago, we started a similar group that meets every Tuesday. Consequently, we have introduced many people to the FEE philosophy. Both Bill and I also wrote numerous articles for The Freeman *and other publications. Many people have taken the time to write us – especially after attending a seminar – saying that FEE has changed their lives."*

– John C. Sparks
Canton, Ohio

"In 1975, Lucy Eisenhower (a good friend of FEE) told me, 'You should go to the Mont Pelerin Society which meets at Hillsdale College this year.' I went, and got acquainted with Leonard Read and several others. Result? The founding and organization of the Free Enterprise Education Center. I spent 16 of my retirement years as founder and president.

The organization, now known as The Free Enterprise Institute, is still going strong. It's a good example of the influence FEE has been to many people many miles from its home base."

– Rolland Storey
Houston, Texas

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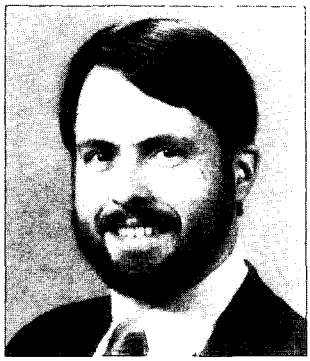

Fifty Years of Statism

Historian Paul Johnson has called the twentieth century the "age of politics," the era in which people increasingly turned to the state to solve any and all problems. That is no less the case in America than elsewhere around the globe. In the early 1900s Progressivism and Woodrow Wilson's messianic international crusade helped set the U.S. government on its ever-expanding course.

The growth of the state has been particularly spectacular this past half century. Since FEE's birth in 1946, the federal Dr. Jekyll has turned into the most odious version of Mr. Hyde. Over that time Washington has become the redistributive state, the Santa Claus for any interest group with a letterhead and mailing list. It has become the nanny state, the paternalist determined to run every American's life. It has become the militarist state, the guarantor of a veritable global empire at the expense of freedom at home. There is, in fact, little that political acolytes have not sought to entrust to the state—medicine, child care, and even spiritual fulfillment through something called "the politics of meaning."

The necessity for FEE was obvious enough in 1946. The national government had been swollen by America's participation in World War II and inauguration of various New Deal schemes intended to bring the nation out of the Great Depression. But for those less prescient than Leonard Read, 1946 might also have looked like the peacetime apogee of government. After all, America's great economic and security crises, which had caused government's dramatic and rapid growth, were receding into history. And for a time government actually did shrink. Federal outlays ran $55.2 billion in 1946, five times the last year of peace, 1940, but down from $92.7 billion in 1945. Expenditures fell to $29.8 billion in 1948. Then the trend reversed, however, and within two years the federal government was spending more than it had in 1946 (though outlays still lagged once adjusted for inflation).

The march of statism seemed to slow during the Eisenhower years: federal expenditures actually fell for a time and grew only slowly thereafter. But by 1966 real outlays had rolled past those of 1946. Uncle Sam was bigger and more intrusive than in the aftermath of economic depression and global war.

Government continued to grow steadily if slowly—1969 was the last year that the federal government balanced its budget—before the go-go years of the late 1970s and early 1980s. By 1985 the national government was spending twice as much in real terms as it had in 1946. Today, at a time when America is secure economically and militarily, the real federal budget is running nearly thrice that of 1946.

Doug Bandow is a Senior Fellow at the Cato Institute and a nationally syndicated columnist. He is the author and editor of several books, including The Politics of Envy: Statism as Theology *(Transaction).*

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Uncle Sam's growing budget has been matched by his expanding reach. Over the last fifty years the federal government has constantly looked for new fields to enter, creating the Departments of Education; Energy; Health, Education and Welfare; Health and Human Services; Housing; Transportation; and Veterans. Also added was a host of agencies, from the Environmental Protection Agency to the Consumer Product Safety Commission to the Legal Services Corporation to the National Endowment for the Arts to the Corporation for National Service. The last half century has seen initiation of the so-called war on poverty, hiring of politically minded legal-aid lawyers, government patronage of pornographic art, Medicare and Medicaid, federal subsidies for education, Uncle Sam as energy investor, a torrent of grants and loans for business, students, and other governments, and much, much more.

Indeed, since 1946 the government has increasingly epitomized Frederic Bastiat's notion of legalized plunder. Three of the top five federal spending categories involve transfer programs, or "entitlements": Social Security, Medicare, and Medicaid. Another top spending program, interest, largely reflects the expansion of the other three. Only one, defense, involves a traditional government role.

Moreover, much of the increase in so-called discretionary spending has gone to grant and loan programs that enrich the politically nimble. Cheap credit to customers of U.S. exporters, government-paid advertising abroad for American corporations, subsidized loans to well-connected small businesses, low-cost mortgages to developers, grants for college researchers, aid to students, *ad infinitum*. In fact, the *Government Assistance Almanac*, published annually by Omnigraphics, presents hundreds of pages of federal pork and loot available for the asking. The book, states its publicity materials, catalogues all "grants, loans, insurance, personal payments and benefits, subsidies, fellowships, scholarships, traineeships, technical information, advisory services, investigation of complaints, sales and donations of federal property." Almost all of these were created during the last half century and act as vehicles to redistribute wealth.

Although Uncle Sam is the most visible villain of statism run rampant, he is not the only culprit. State and local expenditures and responsibility, too, have grown dramatically. Between 1946 and 1995 state spending jumped from $49 billion to about $606 billion. Over the same period local outlays rose from $9.1 billion to roughly $847 billion. These 100-fold increases dwarf that of Washington. Combined federal, state, and local outlays went from $61.5 billion in 1946 to almost $3 trillion last year. Adjusted for inflation, the jump was still 523 percent.

These pervasive increases demonstrate the necessity of emphasizing philosophical arguments for limited government. The hallmark of the last half century has been a belief in the rightness of government to intervene anywhere at any time in any way. Opponents have all too often criticized not so much the proposed outlay, regulation, or tax, but its amount or extent. In short, intervention was fine, though the specific proposal needed to be fine-tuned and moderated. Not surprisingly, when faced with such a choice, Americans tended to choose the real thing. And advocates of intervention always returned to push for more if they were only partially successful the first time around.

This problem remains today, even in supposedly revolutionary times. Over the years FEE has spawned a host of free-market think-tanks around the nation that present practical policy alternatives to the usual statist panaceas. These groups have helped expand the debate over a range of issues. Nevertheless, their arguments often remain constrained by the realities of the political process.

Yet believers in freedom must also challenge the philosophical basis of statism. This was, for instance, the great vacuum in last year's budget battle. For all the hue and cry, no politician suggested that government should not guarantee medical care for every senior. No one argued that housing was not

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a matter for the government, let alone the federal government. No major political leader advocated getting Washington out of education. Where were the legislators saying no—that's NO—to subsidies for state and local governments, businesses, and students? And on it went. Who asked why the national government was subsidizing energy research? Who proposed stopping Washington from pouring billions down money-losing, mass transit ratholes? Where was the politician to challenge the very notion of Uncle Sam funding welfare in every state and city in America? And on and on.

Fundamentally, the problem of the federal budget is one of philosophy. Statism has become the nation's governing ideology: over the last fifty years the mass of people has come to believe that government can legitimately do anything. As a result, even those legislators who most rail against the deficit in the abstract are unwilling to empty Uncle Sam's financial cornucopia.

This century, and most particularly the last fifty years, is truly the age of politics. The failures of this approach are manifold, and are obvious even to those in power. But many Americans—policymakers and citizens alike—have yet to give up their statist illusions. Many simply aren't aware of an alternative. But there is one. One which FEE has been teaching for the last half century: freedom. □

"On behalf of all of us at the Cato Institute, I would like to send our congratulations and thanks to the Foundation for Economic Education on the occasion of its fiftieth anniversary. While there has been an explosion of pro-freedom organizations and think-tanks over the last two decades, it was FEE that led the way. When all of America's intellectual institutions, including the academy, had concluded that government was the solution to all of society's ills, FEE alone stood up and said no. Under the inspired leadership of Leonard Read, FEE rekindled the dying embers of the American Revolution and reasserted the primacy of individual liberty as the basis for the American experiment.

FEE's critically important role in the resurgence of pro-liberty sentiments in America should not obscure its current and ongoing relevance to that movement. The Freeman, to mention one project, remains a vital and energetic source of libertarian intellectual ammunition."

– Edward H. Crane
President, Cato Institute

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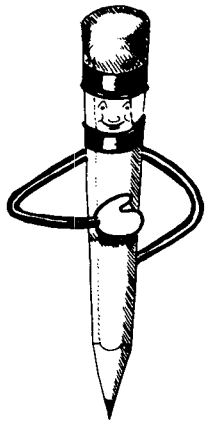
THE FREEMAN
IDEAS ON LIBERTY

"I, Pencil"



by Leonard E. Read

I am a lead pencil—the ordinary wooden pencil familiar to all boys and girls and adults who can read and write.*

Writing is both my vocation and my avocation; that's all I do.

You may wonder why I should write a genealogy. Well, to begin with, my story is interesting. And, next, I am a mystery—more so than a tree or a sunset or even a flash of lightning. But, sadly, I am taken for granted by those who use me, as if I were a mere incident and without background. This supercilious attitude relegates me to the level of the commonplace. This is a species of the grievous error in which mankind cannot too long persist without peril. For, the wise G. K. Chesterton observed, "We are perishing for want of wonder, not for want of wonders."

I, Pencil, simple though I appear to be, merit your wonder and awe, a claim I shall attempt to prove. In fact, if you can understand me—no, that's too much to ask of anyone—if you can become aware of the miraculousness which I symbolize, you can help save the freedom mankind is so unhappily losing. I have a profound lesson to teach. And I can teach this lesson better than can an automobile or an airplane or a mechanical dishwasher because—well, because I am seemingly so simple.

Simple? Yet, *not a single person on the face of this earth knows how to make me.* This sounds fantastic, doesn't it? Especially when it is realized that there are about one and one-half billion of my kind produced in the U.S.A. each year.

Pick me up and look me over. What do you see? Not much meets the eye—there's some wood, lacquer, the printed labeling, graphite lead, a bit of metal, and an eraser.

Innumerable Antecedents

Just as you cannot trace your family tree back very far, so is it impossible for me to name and explain all my antecedents. But I would like to suggest enough of them to impress upon you the richness and complexity of my background.

My family tree begins with what in fact is a tree, a cedar of straight grain that grows in Northern California and Oregon. Now contemplate all the saws and trucks and rope and the countless other gear used in harvesting and carting the cedar logs to the railroad siding. Think of all the persons and the numberless skills that went into their fabrication: the mining of ore, the making of steel and its refinement into saws, axes, motors; the growing of hemp and bringing it through all the stages to heavy and strong rope; the logging camps with their beds and mess halls, the cookery and the raising of all the foods. Why, untold thousands of

Leonard E. Read (1898–1983) founded FEE in 1946 and served as its president until his death.

"I, Pencil," his most famous essay, was first published in the December 1958 issue of The Freeman.

*My official name is "Mongol 482." My many ingredients are assembled, fabricated, and finished by Eberhard Faber Pencil Company.

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Leonard Read's delightful story, "I, Pencil," has become a classic, and deservedly so. I know of no other piece of literature that so succinctly, persuasively, and effectively illustrates the meaning of both Adam Smith's invisible hand—the possibility of cooperation without coercion—and Friedrich Hayek's emphasis on the importance of dispersed knowledge and the role of the price system in communicating information that "will make the individuals do the desirable things without anyone having to tell them what to do."

We used Leonard's story in our television show, "Free to Choose," and in the accompanying book of the same title to illustrate "the power of the market" (the title of both the first segment of the TV show and of chapter one of the book). We summarized the story and then went on to say:

"None of the thousands of persons involved in producing the pencil performed his task because he wanted a pencil. Some among them never saw a pencil and would not know what it is for. Each saw his work as a way to get the goods and services he wanted—goods and services we produced in order to get the pencil we wanted. Every time we go to the store and buy a pencil, we are exchanging a little bit of our services for the infinitesimal amount of services that each of the thousands contributed toward producing the pencil.

"It is even more astounding that the pencil was ever produced. No one sitting in a central office gave orders to these thousands of people. No military police enforced the orders that were not given. These people live in many lands, speak different languages, practice different religions, may even hate one another—yet none of these differences prevented them from cooperating to produce a pencil. How did it happen? Adam Smith gave us the answer two hundred years ago."

"I, Pencil" is a typical Leonard Read product: imaginative, simple yet subtle, breathing the love of freedom that imbued everything Leonard wrote or did. As in the rest of his work, he was not trying to tell people what to do or how to conduct themselves. He was simply trying to enhance individuals' understanding of themselves and of the system they live in.

That was his basic credo and one that he stuck to consistently during his long period of service to the public—not public service in the sense of government service. Whatever the pressure, he stuck to his guns, refusing to compromise his principles. That was why he was so effective in keeping alive, in the early days, and then spreading the basic idea that human freedom required private property, free competition, and severely limited government.

It is a tribute to his foresight, persistence, and sound understanding of the basis for a free society, that FEE, the institution he established and on which he lavished such loving care, is able to celebrate its fiftieth anniversary.

—Milton Friedman
Senior Research Fellow, Hoover Institution

persons had a hand in every cup of coffee the loggers drink!

The logs are shipped to a mill in San Leandro, California. Can you imagine the individuals who make flat cars and rails and railroad engines and who construct and install the communication systems incidental thereto? These legions are among my antecedents.

Consider the millwork in San Leandro. The cedar logs are cut into small, pencil-length slats less than one-fourth of an inch in thickness. These are kiln dried and then tinted for the same reason women put rouge

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on their faces. People prefer that I look pretty, not a pallid white. The slats are waxed and kiln dried again. How many skills went into the making of the tint and the kilns, into supplying the heat, the light and power, the belts, motors, and all the other things a mill requires? Sweepers in the mill among my ancestors? Yes, and included are the men who poured the concrete for the dam of a Pacific Gas & Electric Company hydroplant which supplies the mill's power!

Don't overlook the ancestors present and distant who have a hand in transporting sixty carloads of slats across the nation.

Once in the pencil factory—$4,000,000 in machinery and building, all capital accumulated by thrifty and saving parents of mine—each slat is given eight grooves by a complex machine, after which another machine lays leads in every other slat, applies glue, and places another slat atop—a lead sandwich, so to speak. Seven brothers and I are mechanically carved from this "wood-clinched" sandwich.

My "lead" itself—it contains no lead at all—is complex. The graphite is mined in Ceylon. Consider these miners and those who make their many tools and the makers of the paper sacks in which the graphite is shipped and those who make the string that ties the sacks and those who put them aboard ships and those who make the ships. Even the lighthouse keepers along the way assisted in my birth—and the harbor pilots.

The graphite is mixed with clay from Mississippi in which ammonium hydroxide is used in the refining process. Then wetting agents are added such as sulfonated tallow—animal fats chemically reacted with sulfuric acid. After passing through numerous machines, the mixture finally appears as endless extrusions—as from a sausage grinder—cut to size, dried, and baked for several hours at 1,850 degrees Fahrenheit. To increase their strength and smoothness the leads are then treated with a hot mixture which includes candelilla wax from Mexico, paraffin wax, and hydrogenated natural fats.

My cedar receives six coats of lacquer. Do you know all the ingredients of lacquer? Who would think that the growers of castor beans and the refiners of castor oil are a part of it? They are. Why, even the processes by which the lacquer is made a beautiful yellow involves the skills of more persons than one can enumerate!

Observe the labeling. That's a film formed by applying heat to carbon black mixed with resins. How do you make resins and what, pray, is carbon black?

My bit of metal—the ferrule—is brass. Think of all the persons who mine zinc and copper and those who have the skills to make shiny sheet brass from these products of nature. Those black rings on my ferrule are black nickel. What is black nickel and how is it applied? The complete story of why the center of my ferrule has no black nickel on it would take pages to explain.

Then there's my crowning glory, inelegantly referred to in the trade as "the plug," the part man uses to erase the errors he makes with me. An ingredient called "factice" is what does the erasing. It is a rubber-like product made by reacting rapeseed oil from the Dutch East Indies with sulfur chloride. Rubber, contrary to the common notion, is only for binding purposes. Then, too, there are numerous vulcanizing and accelerating agents. The pumice comes from Italy; and the pigment which gives "the plug" its color is cadmium sulfide.

No One Knows

Does anyone wish to challenge my earlier assertion that no single person on the face of this earth knows how to make me?

Actually, millions of human beings have had a hand in my creation, no one of whom even knows more than a very few of the others. Now, you may say that I go too far in relating the picker of a coffee berry in far off Brazil and food growers elsewhere to my creation; that this is an extreme position. I shall stand by my claim. There isn't a single person in all these millions,

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including the president of the pencil company, who contributes more than a tiny, infinitesimal bit of know-how. From the standpoint of know-how the only difference between the miner of graphite in Ceylon and the logger in Oregon is in the *type* of know-how. Neither the miner nor the logger can be dispensed with, any more than can the chemist at the factory or the worker in the oil field—paraffin being a by-product of petroleum.

Here is an astounding fact: *Neither* the worker in the oil field nor the chemist nor the digger of graphite or clay nor any who mans or makes the ships or trains or trucks nor the one who runs the machine that does the knurling on my bit of metal nor the president of the company performs his singular task because he wants me. Each one wants me less, perhaps, than does a child in the first grade. Indeed, there are some among this vast multitude who never saw a pencil nor would they know how to use one. Their motivation is other than me. Perhaps it is something like this: Each of these millions sees that he can thus exchange his tiny know-how for the goods and services he needs or wants. I may or may not be among these items.

No Master Mind

There is a fact still more astounding: The absence of a master mind, of anyone dictating or forcibly directing these countless actions which bring me into being. No trace of such a person can be found. Instead, we find the Invisible Hand at work. This is the mystery to which I earlier referred.

It has been said that "only God can make a tree." Why do we agree with this? Isn't it because we realize that we ourselves could not make one? Indeed, can we even describe a tree? We cannot, except in superficial terms. We can say, for instance, that a certain molecular configuration manifests itself as a tree. But what mind is there among men that could even record, let alone direct, the constant changes in molecules that transpire in the life span of a tree? Such a feat is utterly unthinkable!

I, Pencil, am a complex combination of miracles: a tree, zinc, copper, graphite, and so on. But to these miracles which manifest themselves in Nature an even more extraordinary miracle has been added: the configuration of creative human energies—millions of tiny know-hows configurating naturally and spontaneously in response to human necessity and desire and *in the absence of any human master-minding!* Since only God can make a tree, I insist that only God could make me. Man can no more direct these millions of know-hows to bring me into being than he can put molecules together to create a tree.

The above is what I meant when writing, "If you can become aware of the miraculousness which I symbolize, you can help save the freedom mankind is so unhappily losing." For, if one is aware that these know-hows will naturally, yes, automatically, arrange themselves into creative and productive patterns in response to human necessity and demand—that is, in the absence of governmental or any other coercive master-minding—then one will possess an absolutely essential ingredient for freedom: *a faith in free people*. Freedom is impossible without this faith.

Once government has had a monopoly of a creative activity such, for instance, as the delivery of the mails, most individuals will believe that the mails could not be efficiently delivered by men acting freely. And here is the reason: Each one acknowledges that he himself doesn't know how to do all the things incident to mail delivery. He also recognizes that no other individual could do it. These assumptions are correct. No individual possesses enough know-how to perform a nation's mail delivery any more than any individual possesses enough know-how to make a pencil. Now, in the absence of faith in free people—in the unawareness that millions of tiny know-hows would naturally and miraculously form and cooperate to satisfy this necessity—the individual cannot help but reach the erroneous conclusion that mail can be delivered only by governmental "master-minding."

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Testimony Galore

If I, Pencil, were the only item that could offer testimony on what men and women can accomplish when free to try, then those with little faith would have a fair case. However, there is testimony galore; it's all about us and on every hand. Mail delivery is exceedingly simple when compared, for instance, to the making of an automobile or a calculating machine or a grain combine or a milling machine or to tens of thousands of other things. Delivery? Why, in this area where men have been left free to try, they deliver the human voice around the world in less than one second; they deliver an event visually and in motion to any person's home when it is happening; they deliver 150 passengers from Seattle to Baltimore in less than four hours; they deliver gas from Texas to one's range or furnace in New York at unbelievably low rates and without subsidy; they deliver each four pounds of oil from the Persian Gulf to our Eastern Seaboard—halfway around the world—for less money than the government charges for delivering a one-ounce letter across the street!

The lesson I have to teach is this: *Leave all creative energies uninhibited.* Merely organize society to act in harmony with this lesson. Let society's legal apparatus remove all obstacles the best it can. Permit these creative know-hows freely to flow. Have faith that free men and women will respond to the Invisible Hand. This faith will be confirmed. I, Pencil, seemingly simple though I am, offer the miracle of my creation as testimony that this is a practical faith, as practical as the sun, the rain, a cedar tree, the good earth. □

"A political mentor suggested I write to get on FEE's mailing list in 1960, while I was a student. The high quality and reliable regularity of information from FEE shaped my thinking in those formative years.

FEE's materials have been essential in building the base of economically literate citizens necessary to fight successfully against socialism in all its manifestations. I strongly endorse FEE and work closely with FEE staff to provide its materials to all students at my Leadership Institute programs."

– Morton C. Blackwell
President, The Leadership Institute

"FEE has been a vital source of inspiration and encouragement to me for at least forty years.

I believe the very first issue of The Freeman *which I found was in 1956. I still remember it clearly. The article was entitled 'The Graduated Gadinkus Tax.' That powerful little lesson in economics and tax policy is typical of the simplicity and clarity with which FEE has continued to expound basic economic truths. You tell it like it is, and you tell it in terms that can be grasped by everyone."*

– Reed Larson
President, National Right to Work Committee

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THE FREEMAN
IDEAS ON LIBERTY

Education and the Free Society

by George Roche

On the verge of a new century, one of the most important questions we must ask ourselves is: "On what does the free society depend?" There are, of course, many answers, but I would offer this one: The free society depends on successive generations of citizens who understand what freedom is all about and who are willing and able to defend it. But today our young people are growing up in an environment that is, at best, lukewarm and, at worst, hostile toward the basic precepts that have served as the foundation of our nation and the bedrock of our civil liberties.

The American public school system is in large part to blame. Even in its basic structure and operations, this system is antithetical to freedom; it is a command industry, meaning that all the decisions are made from the top down, and market forces of supply and demand are completely ignored. As a result, the educational establishment is currently spending enormous amounts of taxpayer money—so much money that you can hardly conceive of it—on an educational system that has, on balance, done more harm than good for our children, our economy, and the future of our nation.

The statistics reveal plummeting SAT scores for college-bound students, rising crime, and declining standards in schools. Businesses are forced to devote huge sums of money and time to giving their employees remedial education courses. This in itself has become a multimillion-dollar industry. The tragic fact is that in public education "nothing succeeds like failure." Well before the widely remarked *Nation at Risk* study was published in 1983, we knew we had a serious problem. By "we," I mean you and I—the man on the street. We were alone in our concern, for, according to the experts (in government, the NEA, and the public school bureaucracy) there was no problem—at least not until Ronald Reagan was elected and public spending on education was supposedly slashed.

The Growth of Public Education

Let us look at the real record. In the late 1980s, *Detroit News* syndicated columnist Warren Brookes called public education a "$180 billion monopoly." He reported back then that, in spite of one of the world's highest levels of per-capita spending, our students were ranking dead last in science and near-last in language skills and social studies among leading industrialized nations. But in the 1980s, education spending per pupil rose by 400 *percent*. That kind of phenomenal increase is continuing in the 1990s. Public education is, quite simply, America's top growth industry.

It is fair to ask, then: Are our schools

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better off? Are our children getting a better education? Are our workers better equipped for their careers? Are they taught a fundamental appreciation for the principles of limited government and free enterprise that lie at the core of the American experience and that must be preserved and defended if we are to prosper as a free society?

The answer to all these questions is a resounding no. Between 1963 and 1989, average national SAT scores fell an incredible *77* points, from 980 to 903. Iowa achievement tests for junior and senior high school students fell at a similar rate. (Don't be fooled by any new reports, by the way, that scores are improving—that is an illusion. Students now earn an extra 100 points simply by taking the test.) The national drop-out rate has continued to climb; a quarter of the students now in high school will not finish, and in some cities the figure is as high as 50 to 75 percent. It is just as bad at the college level. One half of all students who enter college never graduate. Those who do—as I have already suggested—are often ill-prepared and lack the critical basic skills needed to pursue their careers.

Economic Illiterates

And what about economic literacy? In test after test, more than 60 percent of the nation's high school seniors cannot define the word "profit." Only half of all college seniors can define "inflation," "productivity," and "fiscal policy." George Douglas observes in his recent book, *Education Without Impact:* "For citizens in a democracy to be able to make intelligent decisions about public policy, it is necessary for them to have a rudimentary knowledge about the national debt, the consequences of taxes, how the Federal Reserve system works, how to make sense of the financial pages of the daily newspaper." Yet, he adds, millions don't know "what money is or where it comes from." When the savings and loan industry failed a few years ago at a cost of billions, "not one person in a hundred could give an articulate explanation of what had happened."

Most students take courses called "Introduction to Economics" but remain economic illiterates. Known as the "dismal science," economics in the classroom is boring, complex, and biased. Teachers spend more time on Karl Marx than they do on Adam Smith, and the attitude is that anyone truly interested in preserving liberty, improving the lot of the disadvantaged, or promoting the wise use of natural resources must look to government rather than the private sector for solutions.

We are clearly failing to teach the next generation about basic terms, about how the market actually works, about its underlying values, and about its relationship to our political system.

These are some of the problems in American education. But what worries me even more than these problems is the fact that all the would-be reformers seem to be advocating the same solutions. What are those solutions? More money and more government control.

Look, for example, at the Department of Education, which was created by Jimmy Carter. When Carter left office, the DOE budget was $10 billion. Ronald Reagan vowed to abolish the entire agency, but was unsuccessful in his effort to persuade Congress, and by the time he left office, the DOE budget was $22 billion—more than double what it had been before. Under George Bush and now under Bill Clinton, spending has gotten so out-of-control that the Department has to borrow money from the next year's fiscal budget to pay for the current year's shortfall—the same kind of shenanigans that brought on the congressional check-kiting scandal, but you don't hear anyone in Washington, D.C., admitting it.

There is a great philosophical dividing line between those who advocate individual responsibility and old-fashioned virtues, and those who merely pay lip service. In Washington, D.C., it is perfectly acceptable to bend the rules in the name of "the public good." And in public education, it happens with alarming frequency. We must not forget the dictum of St. Thomas Aquinas—that the end pre-exists in the means. No matter

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how good proposed reforms sound or how much money is used to implement them, they won't work if they are solely dependent on politics.

Reform has gone in the wrong direction, away from the heartland ideas and values which once informed the lives of virtually all Americans. I grew up in the Rocky Mountains of Colorado between two peaks that formed a part of the continental divide. I went to an eight-grades-in-one-room country school house called Gas Creek School. My teacher was a woman named Georgie House. Like most of the ranchers and miners in the upper Arkansas Valley, Mrs. House knew that there was a state government in Denver and a federal government in Washington. She didn't mind. So long as the government bureaucrats didn't bother her, she didn't bother them.

Gas Creek School didn't have any fancy textbooks, or any computers, or even central heating, but it offered an outstanding education. Without hesitation, I would match it against anything offered at public schools today. Mrs. House educated the children at Gas Creek School as conscientiously as if they were her own. They not only learned their 3 R's, but they learned what it is to be self-responsible, freely choosing individuals.

Thank goodness for Gas Creek School and Mrs. House. But where are they today? Certainly, there are many good schools and teachers out there, but they have to fight *against* the system, and they have very little freedom to teach in the way Mrs. House did. How different education used to be! In the supposedly "backward years" of the early to mid-twentieth century, we had perhaps the best educated citizens in the history of the world. But today, in nationwide tests, tens of thousands of *college seniors* do not know when Columbus sailed for America, who wrote the Declaration of Independence, or why the Civil War was fought. And these students are not only academically ill-prepared; they are culturally, economically, and morally illiterate.

It is no wonder. They are free to take classes on death, on sexuality, on environmentalism, and on the theory of "ultimate frisbee," but they get very little in the way of rigorous academic training in history, English, economics, and math. They are also frequently taught that old-fashioned concepts like "family, God, and country" are really narrow-minded, sexist, and racist forms of oppression.

The Challenge

So, what are we to do? Should we simply give up on our educational system and continue to try to mend matters once students are out of school and in the workplace? Certainly not. We can still salvage education. And the main way to do it is to take students *out* of the system. We ordinary citizens—not the NEA, not any government task force—are the ones who can reintroduce competition. We are the ones who realize that public education will not improve as long as it continues to be a protected monopoly.

There are also other ways to help reintroduce competition. The Foundation for Economic Education is one sterling example. For 50 years, it has advanced the cause of the free society by educating literally thousands of individuals, many of whom have been high school and college students who have had no previous introduction to free market ideas. Though FEE is a comparatively small institution, its impact has been like the ever-widening ripples caused by a pebble thrown into a pond. Moreover, FEE's success has helped inspire the establishment of dozens of other market-oriented organizations.

J. Patrick Rooney, chairman of the Golden Rule Insurance Company—the largest provider of individual medical insurance in the world—provides us with another powerful example of how to reintroduce competition in education. Several years ago, he established a $1 million-plus scholarship fund for disadvantaged children in Indianapolis. After more than 20 years of endless talk and debate about vouchers, tuition tax credits, school choice, and this plan or that, this man simply put his money

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"FEE's vision and courage over the past five decades have been an inspiration. Due in no small part to the persistent voice of The Freeman, *statism in America is today in a shambles; the apologists for big-government liberalism are in full retreat. Nowadays free-market principles are widely touted and enjoy a prestige not seen in our nation in over a half century.*

As Governor, I know how easy it is to get bogged down in all the details of policy-making. What I most appreciate about The Freeman *is that each issue serves to take readers back to school in the basic principles of freedom.* The Freeman *has been, and I am sure will remain, a steady anchor amid the winds that blow public opinion in conflicting directions.*

Once again, thank you for defending the principles of freedom in the marketplace of ideas. Because of FEE's efforts, Michigan is a better state and the United States is a better nation.

Here's to the next fifty years of the Foundation for Economic Education – and to a freer America because of FEE!"

– John Engler
Governor, State of Michigan

where his mouth was. He said, "Are there kids who want to go to private school who can't? Well, then, I'll do something about it right now." What Rooney has done, in essence, is to privatize vouchers.

Private vouchers start working immediately with no red tape and they don't create a mountain of paperwork or need hordes of administrators to manage them. Unlike "government vouchers," which so many people are calling for today, private vouchers do not make the schools who accept them liable to future government control as supposed "recipients of federal funds." Private vouchers also create badly needed revenues for good schools, allowing them to expand and help more and more students. And, most important of all, private vouchers place power in the hands of parents, students, and teachers rather than the education bureaucracy. We do not all have to have a million dollars to make private vouchers work in our communities. We can sponsor individual students, one at a time.

These examples remind us that it is as easy as that to recover the self-reliant, "can-do" spirit that once pervaded this country and that is the lifeblood of the free society. And they apply to every facet of our society, not just education. Once we stop looking to Washington, D.C., for solutions, we will find them in our own backyard, and they will turn out to be real solutions, not panaceas. □

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Fifty Years of FEE—Fifty Years of Progress in Austrian Economics

by Israel M. Kirzner

At this time of FEE's golden jubilee, an Austrian economist's thoughts dwell naturally upon the pivotal role which the Foundation has played in the survival and resurgence of Austrian Economics during the twentieth century. The state of and prospects for Austrian Economics in 1996 are far healthier and more promising than they were fifty years ago. This essay briefly sketches some highlights in the developments that have occurred during these five decades, and draws attention to FEE's important contribution in this regard.

Austrian Economics in 1946

An observer of the intellectual scene in 1946 might have been excused for concluding that the distinguished tradition of Austrian Economics, the tradition that had begun with Carl Menger, Eugen von Böhm-Bawerk, and Friedrich von Wieser, was no longer alive. The Austrian School, which a scarce fifteen years earlier had been perhaps at its peak in professional prestige and had been enjoying widespread attention in the United States and in England, was, by the end of World War II, virtually nonexistent and was thoroughly ignored in the mainstream of the economics profession. History of economic thought textbooks published soon after the war tended to refer to the Austrian School in the past tense. The reason for this is, at a superficial level, not difficult to understand (although the full explanation for the sudden demise of the School would require a detailed study that still awaits its doctoral dissertation). Consider some of the basic facts of the situation:

1. A variety of circumstances (including especially the political unrest in Europe) had, already in the mid-thirties, physically dispersed most of the brightest minds in the interwar Viennese scene. F.A. Hayek had been brought by Lionel Robbins (later Lord Robbins) to London at the beginning of the thirties. Ludwig von Mises had fled to Geneva in 1934; Fritz Machlup, Gottfried Haberler, Oscar Morgenstern, and Paul Rosenstein-Rodan (and, of course, later Mises himself) eventually found their separate ways to the United States. Richard von Strigl had died in Vienna during the war.

2. Mises, who had arrived in New York in 1940, had been cold-shouldered by the U.S. economics profession. Not until 1945 was he able to secure a visiting teaching position at New York University—one hardly commensurate with his international stature.

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His major work, *Nationalökonomie*, published during the war in Geneva had made virtually no impression—certainly in large part as a result of the place and date of its publication. (The intensely critical tone of Knight's review article in the November 1941 issue of *Economica* cannot have helped, either.) A visiting professorship afforded Mises neither the stimulus nor the opportunity for intellectual influence which had been made possible by his famous *Privatseminar* in Vienna, nor did he have the relaxed, carefree opportunity for teaching and for scholarly work which he had enjoyed in Geneva.

3. Hayek, who had entered the British economics scene with great success in 1931, had, by the outbreak of World War II, seen his professional eminence sharply reduced. In the public perception, at least, he had been decisively defeated by John Maynard Keynes (in regard to business cycle and monetary theory) and by Oskar Lange (in regard to the possibility of efficient socialism). His major recent contribution, *The Pure Theory of Capital* (1941) was, like Mises' 1940 book, virtually ignored by the postwar profession. (A 1948 reference to the work saw it as not much more than a restatement of earlier positions expressed during the 1930s.[1] In any event, the profession was clearly not now interested in those earlier discussions.) Although his 1944 *The Road to Serfdom* was certainly a resounding success, it was (correctly) seen as a primarily political work rather than one in which Hayek was contributing to Austrian Economics. In regard to both Mises and Hayek, the public perceived Austrian Economics in the 1940s as not much more than an unfashionable ideological residue left over from a once vibrant but now defunct intellectual tradition.

4. The scientific methods which Austrian Economics had consistently applied since Menger, were becoming increasingly unfashionable in the profession. Keynesian economics was making its inroads, pushing methodological individualism off centerstage; logical positivism in philosophy was (with the usual cultural lag) taking a firm hold in economics; advances in the sophistication of mathematical tools used in economics were beginning to threaten the literary tradition. Hayek's brilliant wartime *Economica* articles on method later to be published as *The Counter-Revolution of Science* were early reactions to the shifting tides already being felt in economic methods. But his passionate appeals on behalf of subjectivism and methodological individualism in the social sciences were falling on deaf ears.

5. Paradoxically, a significant element supporting the common impression that the Austrian tradition was no longer alive, was the earlier *success* of that tradition in influencing the British mainstream in economics. A number of Austrians, including Hayek and Machlup (and, to a degree, Mises as well[2]), had come to believe that what was valid and important in Austrian Economics had been successfully absorbed into the mainstream. Robbins' influential 1932 book, *The Nature and Significance of Economic Science*, which is thoroughly steeped in the Austrian perspectives of the late 1920s, was not seen as an attempt to change the substance of British economics. Rather the work was seen (by its author as well as by others) as an attempt to teach British economists that, with relatively minor adjustments in their methodological orientation, they would see that their own economics had for a long time been entirely congruent with the Austrian variety.

This view, that Austrian economics was by now thoroughly integrated into mainstream thinking, undoubtedly helped the sense among younger Austrians that there was no intellectual tragedy to be seen in the physical dispersal of the Vienna group among far-flung British and American universities. Brilliant young Austrian economists, such as Machlup, Morgenstern, and Haberler, felt able to pursue economic research alongside their newfound academic colleagues, without the need to emphasize any uniqueness derived from their Viennese training.

Yet despite all this, Austrian Economics, as we shall see, was certainly *not* dead in

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1946. In fact, at that very moment both Mises (in New York) and Hayek (in London) were deepening their own understandings of the economic system in ways, rooted in Austrian insights, that would profoundly influence the subsequent course of the Austrian tradition. Their work would, in the fullness of time, inspire a remarkable resurgence of interest in that very tradition.

The Extension of Austrian Subjectivism

What was occurring during the 1940s in the works of Mises and Hayek was, it is now apparent in the hindsight of half a century, a most significant extension of Austrian subjectivism. There is a certain drama in the circumstance that, precisely at the time when the Austrian tradition seemed most thoroughly extinct, there were emerging from the pens of Mises and Hayek papers and books that radically deepened the Austrian insights which they had inherited from their intellectual forebears.

To be sure, these advances did not occur in a vacuum. Mises had for many years devoted much thought to the methodological foundations of economics. In 1933 he had published a volume of collected papers as *Grundprobleme der Nationalökonomie* (later to be translated as *Epistemological Problems of Economics*); many of the insights developed in those papers had been welded together to form the basis for the "praxeological" approach Mises explicitly adopted in his 1940 *Nationalökonomie*. Yet his work in developing the latter volume into his magnum opus, *Human Action*, was more than mere translation. Certainly as far as the English-speaking world was concerned, the 1949 book was a major extension of Mises' earlier work.

Hayek's work during the 1940s was also, certainly, rooted in his pioneering contributions of the 1930s involving the role of knowledge and learning in the economic process.[3] Yet it can be argued that his 1948 collection of papers, *Individualism and Economic Order*, offered a fundamentally fresh, integrated approach that had not been placed before the profession until that time. These extensions to Austrian subjectivism by both Mises and Hayek, we now recognize, can plausibly be linked to their experiences during the interwar debate on the possibility of socialist economic calculation.[4] These experiences gradually taught Mises and Hayek that what separated their economics from that of the British/Walrasian neoclassical mainstream was more than language and style. The lessons which these two Austrians respectively learned constituted separate but complementary extensions of the subjectivism which had, already for six decades, characterized Austrian economics.[5]

Action and Knowledge

Much of Mises' deepened self-awareness is captured in the title of his magisterial work, *Human Action*. Economics was seen and presented as the science of human action—with "action" articulated in a way which sets it decisively apart from the utility- or profit-maximizing decision which forms the analytical building block of mainstream microeconomics. Mises' analysis of action, it can be argued,[6] is unique in its incorporating the *entrepreneurial* element in human choice. This element reflects the open-ended context in which choices are made; that is, it reflects the circumstance that the future consequences of one's actions are never "given" to the prospective agent, but must always be conjectured against a background of absolute uncertainty as described by F. H. Knight. This open-endedness of Misesian economics has subtle but profoundly important implications for one's understanding of the market process. This process now becomes visible, not as a clockwork mechanism grinding out instantaneous solutions to systems of simultaneous equations (made up of the complicated supply and demand functions relevant in a multi-commodity universe), but, Mises emphasized, as a process of continually changing entrepreneurial conjectures concerning the open-ended future. In this process, competition plays a role, and is ex-

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pressed through innovative entrepreneurial entry (and threat of entry).

Mises' science of human action constitutes an extension of Austrian subjectivism in that it sees human action as "choosing," as it were, the very framework within which to engage (simultaneously!) in conventional maximizing decision-making. Choices do not merely reflect and express the subjective preferences of the agent among given alternatives; choices reflect also (and, for Mises, more importantly) the agent's subjective judgment concerning the *range* of alternative courses of action in fact available, and concerning the likelihood of their alternative outcomes. It is this additional dimension for subjectivism which definitively shapes the character of the entrepreneurial market process in Mises' perception.

Hayek's contribution to the extension of Austrian subjectivism consisted in his focus upon *knowledge* and its role in the market process. In the course of a remarkable series of papers, culminating in his 1945 *American Economic Review* paper, "The Use of Knowledge in Society," and in his 1946 paper, "The Meaning of Competition," Hayek saw the market process as one of mutual *learning* on the part of market participants. Such learning is required if a disequilibrium set of decisions—i.e., a set of decisions which must to some extent eventually be frustrated because they are based on inadequate mutual awareness—is to be replaced by a better coordinated set of decisions. In focusing on knowledge and learning, Hayek was offering a radically altered view of the market process—a subjectivist view which draws our attention not so much to changing prices or production processes, but rather to the subjective perceptions of market participants concerning the opportunities available to be grasped in the market.

No doubt there are significant differences between the Misesian "entrepreneurial" view of the market process, and the Hayekian focus upon processes of systematic mutual learning. But it seems reasonable to recognize both views as complementary extensions of Austrian subjectivism as applied to the understanding of market outcomes. These views emerged, as already mentioned, as a result of painful exposure to mainstream misunderstandings concerning the differences between the socialist economy and the market economy. In the mainstream view there was, at that time at least, virtually no room for entrepreneurial creativity and very little indeed for knowledge and learning. Hence, socialist economists such as Oskar Lange or Abba Lerner might be excused for wildly underestimating the subtlety and complexity with which a market economy spontaneously stimulates entrepreneurial awareness and thus sets in motion the process of systematic, mutual knowledge-enhancement. It was in the course of their being forced to grapple with these mainstream misunderstandings, that Mises and Hayek were led to articulate their respective restatements of the theory of the market process. They not only learned that Austrian Economics had *not* been successfully absorbed into the mainstream, they also learned to appreciate more than they themselves had been hitherto able to do, the full implications of Austrian subjectivism in market theory. This enhanced appreciation deserves to be recognized as a significant advance in Austrian Economics.

Post-1950 Developments

Despite these important contributions by Mises and Hayek, the extent of research and teaching activity in Austrian Economics in the years immediately after the first half of the century was meager indeed. Mises conducted a seminar (as well as a classroom course) at New York University at which he kept the tradition alive. Although the seminar included a number of future leaders in Austrian Economics, including especially Murray Rothbard and Hans Sennholz, it was nonetheless but a pale shadow of Mises' Vienna *Privatseminar*. Both within the university and in the profession generally, Mises was seen as a relic of a bygone era. At best, he and his seemingly archaic views were tolerated; more often he was roughly dismissed as an obscurantist ideologue, out

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of touch with modern social science techniques and encrusted in unfashionable, rock-ribbed conservatism seen as serving the interests of big business. Although he continued to write a remarkable stream of new books (including particularly *The Ultimate Foundation of Economic Science*, 1962, and *Theory and History*, 1957), Mises' impact upon the profession seemed to be almost invisible.

Hayek had joined the University of Chicago in 1950, not primarily as an economist, but as a member of the interdisciplinary Committee on Social Thought. Indeed his own writing thereafter was to concentrate upon political philosophy rather than upon pure economics. In the world of academic economics, Keynesian doctrines had become the dominant new orthodoxy, with even mainstream neoclassical microeconomics (let alone Austrian Economics) very much on the defensive. Hayek's trade cycle theory of the 1930s seemed to be completely forgotten; his recent new work on knowledge and the economic process was entirely ignored. This writer can (as can many others) attest that Austrian Economics was not rejected or disparaged by the economics profession of the 1950s and '60s; for the profession at that time, Austrian Economics simply did not exist (except, of course, as a chapter in the history of economic thought, to be studied alongside Mercantilism, Classical Economics, or the German Historical School).

At the same time, developments in the mainstream of the profession were pushing and pulling economic thinking in a variety of directions. Important work by the monetarist school was beginning to undermine Keynesian dominance, even as it strengthened the positivist trends toward an economics consisting largely of econometric model building and empirical testing procedures. Advances in mathematical economics were vastly increasing the sophistication of pure theory. These developments were, by the early 1970s, restoring the centrality of neoclassical microeconomic theory, but in a way which seemed, if anything, to widen the gap between that theory and the traditional Austrian approach. These events seemed, moreover, to push economics into two paths: either along a highly abstract theoretical road which appeared to be supremely unconcerned with the real world, concentrating overwhelmingly upon elegance of mathematical technique; or along an empirical road employing powerful econometric techniques to establish functional relationships relating to extremely narrow slices of real world economic history. Both these paths were not just unattractive (to put it mildly) to appreciators of the Austrian tradition; it seems fair now to say with the benefit of hindsight that they drained economics of excitement for subsequent generations of graduate students. Plausibly, all this played a role in laying the groundwork for the resurgence of interest in Austrian Economics that began to manifest itself in the mid-1970s.

The Resurgence of Austrian Economics

The works of Mises and Hayek, although they were indeed ignored during the 1950s and '60s, had not been written in vain. And the teaching to which Mises dedicated himself for years at New York University, while largely absorbed by graduate business students for whom the study of economic theory was of distinctly secondary importance, was yet destined to bear fruit. If Mises' contributions were, in those lonely decades, appreciated primarily by a handful of stalwart individuals, almost all of whom were not academicians, this was to change, if only gradually. One by one the small number of Mises' U.S. students who obtained their doctorates under his guidance went out into the world to teach and to write. (Some of those inspired in his seminar went on to obtain their degrees at other universities.) And his books, as well as those of Hayek, began to be discovered by a small but growing number of students at universities around the country. Farsighted networking, supported by private foundations, was able to identify a number of such individuals thirsting for a more satisfying

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economics than they were being taught in the classrooms of their own colleges or graduate schools. A good deal of this interest was sparked by growing interest in libertarian thought, to which it was believed Austrian Economics was somehow related. But many of those who discovered Austrian Economics in this way were to pursue it subsequently strictly for its own intellectual and scientific worthwhileness, quite apart from any ideological implications that may have been perceived.

The death of Mises in 1973 brought with it a certain amount of attention to his life's work. And, in 1974, all this ferment of activity and interest culminated in a pivotal event, the now-famous South Royalton meeting, at which several lecturers, including especially Ludwig Lachmann and Murray Rothbard, set forth (in a weeklong series of lectures and discussions) the foundations and main features of a subjectivist way of understanding economics, a way rooted in the work of Carl Menger and articulated in the mid-century contributions of Mises and Hayek.

Following the South Royalton conference (and certainly assisted by the encouragement seen in Hayek's receipt in 1974 of the Nobel award in economics), there ensued years of vigorous growth in the number of graduate students pursuing their doctorates while they were absorbing and exploring further the subtleties of what sets Austrian Economics apart from mainstream economic thinking. By the early 1980s a number of full-fledged faculty members at universities around the country were self- acknowledged "Austrians." Centers of Austrian academic teaching and research crystallized at New York University, George Mason University, Auburn University, and the University of Nevada, Las Vegas. In addition many individual faculty members across the country, in Europe, and around the world met at regularly held summer seminars at which they were introduced to Austrian Economics.

By the mid-1990s the upsurge in interest in Austrian Economics has matured to the point where: (i) very few in the economics profession have not heard, at least, of Austrian Economics; (ii) some of the best publishers of economics books are vigorously competing to publish the steady stream of new Austrian books being written (and indeed the sum total of Austrian work published during the past five years is most impressive in its volume, scope, and quality); (iii) major economics journals, long coldly uninterested in what appeared to them to be an old-fashioned approach, have begun to show a lively interest in publishing Austrian contributions; (iv) a number of professors who were graduate students in the 1980s have since won tenure at universities, based solidly and forthrightly on their scholarly contributions to Austrian Economics. We have every reason to hope that the intellectual momentum of this growth in Austrian Economics will carry it to increased levels of scholarly activity and professional recognition.

FEE's Role in the Survival and Resurgence of Austrian Economics

FEE's identification with Austrian Economics has been unmistakable from its very beginning. The appreciation of how free markets contribute to societal prosperity has been taught by FEE primarily as seen through Austrian lenses. Not only Leonard Read, but in particular farsighted and deeply knowledgeable longtime FEE trustees such as Larry Fertig and Henry Hazlitt, set the intellectual tone for FEE and charted the course of its educational mission. It was their vision which brought Ludwig von Mises to FEE at a time when he was, to put it mildly, all but ignored on the academic scene. It was through the resources of FEE, its skilled use of the tools of communication and public education, which ensured that Mises' message would survive.

There must be few among today's Austrian academicians who do not look back with profound gratitude for the moral and material support which FEE provided to them, directly or indirectly, in the lonely

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years prior to the contemporary revival of Austrian Economics. This writer can attest that the very first financial foundation for the New York University doctoral program in Austrian Economics, was laid through the good offices of Leonard Read in the early 1970s. Together with other foundations who have had the vision to support the resurgence in Austrian Economics during recent years, FEE has continued to play a central role. For the past eight years FEE co-sponsored and hosted New York University's annual weeklong summer seminar in Austrian Economics for faculty and graduate students from around the world.

FEE's identification with Austrian Economics has become even more deeply engraved in its philosophy and activities ever since its presidency has been entrusted to the steady hands of Dr. Hans Sennholz, veteran teacher of Austrian Economics to thousands upon thousands of students at Grove City College, ever since his completion of his doctorate under Mises in the 1950s.

If today Austrian Economics has returned to a substantial measure of professional recognition and respect, the Foundation for Economic Education is entitled to a major share of the credit. As we celebrate FEE's anniversary, this element in its half century of achievement, too, deserves our recognition and our appreciation. □

1. Howard S. Ellis (editor), *A Survey of Contemporary Economics* (Homewood, Illinois: Richard D. Irwin [1948] 1963), volume 1, p. 39.

2. See Ludwig von Mises, *Epistemological Problems of Economics* (Princeton: Van Nostrand, 1960 [translated from the German original, 1933]), p. 214.

3. See especially, "Price Expectations, Monetary Disturbances and Malinvestment" (1935), in F. A. Hayek, *Profits, Interest and Investment* (London: George Routledge, 1939); "Economics and Knowledge," *Economica* IV (new series, 1937), pp. 33–54 (republished in F. A. Hayek, *Individualism and Economic Order* (London: Routledge and Kegan Paul, 1949). For the thesis of continuity in Hayek's work on Knowledge, see Gerald P. O'Driscoll, Jr., *Economics as a Coordination Problem: The Contributions of Friedrich A. Hayek* (Kansas City: Sheed Andrews & McMeel, 1977).

4. See the writer's "The Economic Calculation Debate: Lessons for Austrians," *Review of Austrian Economics* (1988, vol. 2), republished in Israel M. Kirzner, *The Meaning of Market Process, Essays in the Development of Modern Austrian Economics* (London and New York: Routledge, 1992).

5. For development of this thesis concerning the complementarity between the work of Mises and Hayek, see the writer's *Meaning of Market Process*, *op. cit.*, chapter 7.

6. For this thesis, see the writer's *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973), pp. 32–37.

"I wish to take this opportunity to congratulate FEE on its fiftieth anniversary. At FEE's inception, the siren song of socialism was played, heard, accepted, and respected throughout our country. But FEE began resuscitating and nurturing back to life the ideas of liberty that were such an important part of our nation's founding. The success of FEE's struggle can be seen in today's long overdue debate about just what government should be doing.

The most important contribution FEE has made is that of making the ideas of liberty readily accessible to a broad range of people who may have limited training in philosophy, political science, and economics. That is the true test of wisdom, making potentially complex ideas understandable to the ordinary person."

— Walter E. Williams
John M. Olin Distinguished Professor of Economics
George Mason University

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THE FREEMAN
IDEAS ON LIBERTY

Civil Rights Socialism

by Llewellyn H. Rockwell, Jr.

The Fabian Society of Britain believed in three central doctrines of political economy. First, every country must create its own form of socialism. Second, socialism imposed slowly is more permanent than the revolutionary form. And third, socialism is not likely to succeed in Western countries if it appears undemocratic or authoritarian. On all these points, the Fabian Marxists disagreed with Marxist-Leninists.

And just as the Fabians recommended, today's America is under the spell of a peculiar form of socialism, designed for our political and demographic conditions.

Under Fabian influence, Britain's piecemeal socialism was marked by nationalized industries, soft planning, extreme labor union privileges, middle-class income redistribution, and a government-run medical industry.

Here in the United States, on the other hand, we have little reason to fear nationalized industries or comprehensive planning. Labor union power seems to be on the decline. Americans bristle at any hint of direct controls over production decisions. Our semi-socialized medicine resists change toward greater government control, or less, with the conservative Republican leadership dedicated to "saving" Medicare. But our labor markets, though increasingly devoid of direct union control, are more frozen and regulated than Britain's were at the height of union power.

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Socialism, U.S. Style

What accounts for this? American socialism is a carefully tailored product. First, it is designed to fit with America's excessive devotion to abstractions like democracy and equality. Second, it is designed to exploit the radical heterogeneity of our population. Third, its implementation relies on America's traditionally sanguine view of centralized executive power.

We could argue about when American socialism first took root. Many say it began with the Great Society. Others trace it to the New Deal. There's a good case to be made that it began in the Lincoln presidency and the Reconstruction era, which used the language of democracy and egalitarianism, exploited our radical heterogeneity, and dramatically centralized power in an imperial executive. That period also provided a test run for inflationary monetary policy and income taxation, two institutions that the Progressive Era entrenched and which provide the fuel for American socialism today.

The symptoms of American socialism are easy to identify. They appear in legislation like the Americans with Disabilities Act, the limitless amendments to the Civil Rights Acts, the Community Reinvestment Act, in the egregious behavior of the Equal Employment Opportunity Commission, and in all manner of interference with the freedom of association. In addition, executive-branch agencies issue tens of thousands of regulations each year to manage the private

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lives of citizens and the conduct of private business, including the Department of Housing and Urban Development, the banking regulators at the Federal Reserve, and the bureaucrats at the EEOC.

The result has been tyranny. Civil rights lawsuits have shut down thousands of businesses. Many potential capitalists decide not to open businesses at all for fear of the race, sex, and disability police. Small companies routinely do anything within the law to avoid advertising for new positions. Why? Because government now sends out "testers" to entrap business in the crime of hiring the most qualified person for a job. Pity the poor real estate agent and the owner of rental units, who walk the civil rights minefield every day. If any of these people demonstrate more loyalty to the customers than to the government, they risk bringing their businesses to financial ruin.

The restaurants Denny's and Shoney's, two wonderful examples of capitalism in action, know all about this. In the last few years, they were both hit with class action suits alleging discrimination. It didn't matter that the plaintiffs were all trumped up and the specific cases cited were patently fraudulent. For example, one plaintiff found a foreign object in her hashbrowns and claimed it was put there on grounds of her race. Both companies decided to settle out of court, establish extensive quota programs, pay off all plaintiffs, and set up new highly subsidized, minority-owned franchises. They did so not because they were guilty, but because the so-called justice system is stacked against them.

Denying the Obvious

The courts enforce an egalitarianism that tolerates no acknowledgment of the differences among people, especially not when they express themselves along group lines. But this denies the obvious. People do differ radically in their talents and weaknesses, their determinations to succeed, their mental facilities, their attitudes and character, their physical abilities, and their physical makeup. Moreover, these differences appear not only in individuals but also systematically in groups.

Men as a group, for example, are different from women as a group. Northerners are different from Southerners. Californians are different from Texans. Catholics are different from Baptists. Blacks are different from whites. Immigrants are different from natives. The rich are different from the poor. The evidence for these propositions is all around us and should be celebrated. As Ludwig von Mises pointed out, radical *in*equality is the key fact about the human race, and thank goodness. If we were all the same, there could be no division of labor.

Yet our central government attempts to abolish these differences by forcing individuals and businesses to act as if they did not exist. The primary means has been the criminalization of our most serious secular sin: discrimination. There can be no action in American life—save the decision of whom to marry—that discriminates on the grounds of any number of criteria as defined by the government. If anyone commits this sin, the penalty is cash to the government and the special interests, with a bundle going to the left-wing lawyers who arrange the transfer.

To see just how serious the government takes this sin, and how absurd the result, consider disabilities law. The EEOC has effectively defined disability as any physical or mental limitation. Along with other civil rights laws, this robs business of any operational discretion in the treatment of employees, how much they are paid, if they are promoted, or whether they are hired at all.

If you have hired a salesman who can't remember names, he's got a mental disability. You cannot demote him, much less fire him, because that would be discrimination.

Since the ADA went into effect, tens of thousands of complaints, which are threatened lawsuits, have been filed with the Equal Employment Opportunity Commission. Drunkards are suing for their right not to show up to work and still get paid. Students are suing for their right not to study and take tests. The government is siding with every conceivable complaint, from

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men who want to work as waitresses in restaurants with all-women workforces to people in wheelchairs who want to dance on stage.

The number of private complaints against employers in which no suits are filed but result in settlements would be impossible to count. The amount of lost wealth is vast and growing. With the ADA, there is eventually no way to comply, because there is no way to prepare for every possible contingency, every possible lawsuit or government ploy.

The ADA illustrates an important point about anti-discrimination law, the central pillar of American socialism. Contrary to myth, rules against discrimination never create a level playing field. Forbidding one form of discrimination must necessarily compel another. If a person is forbidden to discriminate in hiring on grounds of sex or race, the government can only discover a violation of the law by looking at who is hired. This compels active discrimination *against* people on grounds of their sex or race. It is a zero-sum game where one person's winnings come from another's losses. The only way to end this is through the repeal of all anti-discrimination laws, and all other laws that violate the freedom of association.

Until that happens, whole institutions are being destroyed in the name of stamping out discrimination. The banking sector has been racked by complaints that it discriminates against minorities in its granting of loans. You might think the regulators would consider that minorities have relatively weaker credit ratings and fewer assets. In fact, that doesn't matter, since the executive agencies enforcing equality care only for the numbers.

In the banking sector, tens of billions have been doled out to satisfy interest groups who cry discrimination. Fleet Financial Group surrendered to an extortionist who used complaints of group victimology. Decatur Savings & Loan in Atlanta was put out of business by a federal lawsuit. Sovran Bank had to buy its right to become Nationsbank by handing out welfare checks to the politically correct.

This campaign has only just begun. Some people on the political left propose an explicit quota program for lending, which would effectively require banks to give loans to minorities regardless of credit history, job history, or assets. The pool of loanable funds has become a convenient substitute for direct welfare benefits, and it's just as redistributionary.

The same is true in other sectors of the economy. Consider two recent government housing programs: Moving to Opportunity, which is administered by HUD, and residential integration, which is administered by the Justice Department. In both cases, the government has declared that all voluntary group associations resulting in racial disproportionalities are segregationist by definition. That term no longer refers to *de jure* action but to the *de facto* results of voluntary behavior. To remedy the non-problem that people tend to group themselves by their similarities, HUD has a program to give minorities in city slums the financial means to move to middle-class suburbs.

An incident in Vidor, Texas, illustrates something about the use of force. The Justice Department and HUD orchestrated a propaganda blitz against this insular and peaceful community, painting it as thoroughly racist. This paved the way for federal marshals to install some new minority residents into a housing complex whose residents wanted to be left alone. And this is representative of what is happening to every business in the country.

In many respects, a firm is much like a community. It has its own internal culture that best develops and thrives in the context of liberty. Whether the federal bureaucrats are invading Denny's, Decatur Savings & Loan, or Vidor, the effect is the same: to snuff the very life out of the business world and the communities around the country.

The media and the government imply that because one firm hasn't hired and promoted a member of every politically represented group then no firm is going to. This reveals a misunderstanding of the nature of competition. In a free market, competition is not only between laborers but also between whole firms and communities of firms. We

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must allow diversity between firms, even if it is does not exist within them.

Free markets and private property are all of a piece. We cannot have free labor markets so long as we don't have the freedom to hire and fire. It is as essential that women's health clubs be allowed to exclude men as it is for Korean restaurants to be able to hire and promote only Koreans. These are the rights and privileges that come with private property. If we limit them, we endanger the foundation of capitalism and civilization itself.

Forced Equality

America's peculiar version of socialism is just as coercive as any other form. Yet because it is more expansively egalitarian than others have been, the ill-effects are made worse by the demographic differences in the American population. Forced equality has no chance of success in any country, but especially not here. The attempt has wrought destruction, and if extended much further, will create a reign of terror.

America's fascination with equality stretches back to the Declaration of Independence, when Mr. Jefferson penned the obvious untruth that all men are created equal. He couldn't have meant it literally or in the way it is used today. In the very same document, Jefferson accuses the King of exciting insurrections among the "merciless Indian savages, whose known rule of warfare is an undistinguished destruction of all ages, sexes, and conditions."

In those two statements, we find the essential contradiction of the American democratic faith. We are supposed to want people to be equal. We are supposed to want the president to insure it to be so.

If we are ever to reverse our current course, we must pay closer attention to the wisdom of Alexis de Tocqueville, John C. Calhoun, John Randolph of Roanoke, Lord Acton, Helmut Schoeck, Bertrand de Jouvenal, Ludwig von Mises, Murray N. Rothbard, and all the others who have taught us that liberty and equality are incompatible goals. One always comes at the expense of the other. Equal protection of life and private property from violent transgressions is the only ideal of equality that is consistent with individual liberty.

The free market economy has a record like no other of offering economic advancement for everyone no matter what his station in life. But it does not offer equality of result or equality of opportunity. How can opportunity be equated between the quick-witted and simple-minded, between the energetic and the lazy? The free market offers not an unstratified society, but something of real value: liberty itself. And civil rights laws violate that liberty.

Libertarian philosophers have long pointed out that the conventional separation between human rights and property rights is a false one. If property rights are violated, so are human rights. If property rights are protected, so are human rights.

The same logic applies to civil rights. If they are invoked at the expense of private property—which they are by definition in the U.S. legal context—they violate rights. What Herbert Spencer called the "law of equal freedom"—in which a person has property rights and no special privileges—means a society in which people can discriminate or not discriminate, i.e., make choices, on any grounds of their choosing.

Sometimes those who think that civil rights have gone too far see the problem in terms of quotas. This is a misdirection of intellectual energy. Under a pure property regime, people are free to impose quotas if they desire. Even the alleged dream of a perfectly integrated society could be achieved if that is what market actors chose. It is also the case that a "separated" society could result.

Based on experience, what we are likely to see in a regime of pure property rights is authentic diversity, rather than the trumped-up form imagined by government bureaucrats. Some firms, companies, and communities would be homogeneous, while others would be heterogeneous. But the more important goals of social peace and prosperity would be met in a demographic free market.

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But would vulnerable populations be helped? Yes, but not as a result of special rights and coercion. The division of labor finds a place for all sorts of people, and encourages a culture of productivity, which would eventually replace the no-win culture of envy and victimology.

As the Fabians recognized, there are as many varieties of socialism as there are nations. We are cursed with a particularly vicious sort that denies the right of association, rejects essential aspects of the freedom of enterprise, and combats natural inequalities as if they represented a disease on the body politic.

As executive agencies acquire ever more power and money, and run roughshod over all aspects of private life, we are encouraged to look the other way. At this rate, we may eventually disprove the old Fabian teaching that socialism in Western countries cannot succeed if it appears undemocratic or authoritarian.

Anyone familiar with Joseph Schumpeter's paradoxical prediction that socialism would win out over capitalism might also think that the retreat of socialist governments in 1989 disproved him. In light of our present situation, let's revisit Schumpeter. In *Capitalism, Socialism and Democracy* he defines his terms very carefully.

The capitalist or commercial society, he says, is defined by two elements: first, private property in the means of production; second, regulation of the productive process by private contract, management, and initiative. By Schumpeter's definition, we only have capitalism in the first sense. We have private property, but no longer can we govern the productive process by private contract, management, and initiative. The government exercises veto power over all matters of economic management.

By socialist society, he further writes, he means an institutional pattern in which the control over the means of production itself is vested with a central authority, or as a matter of principle, the economic affairs of society belong to the public and not to the private sphere.

Which does our society most closely resemble: Schumpeter's commercial society or Schumpeter's socialist society? Certainly we know where the trend line is pointing. And we know what to do about it: eliminate all violent intervention in the market, and allow for the flourishing of freedom of contract and association, and the protection of private property.

That is the only way to dig ourselves out of the pit of this peculiarly American form of socialism called civil rights. □

"FEE's publications were very instrumental in my receiving the proper education allowing me to become a participant in the battle that rages on for individual liberty and sensible government in America today. Meeting Leonard Read in 1974 during my first campaign for Congress was inspiring as were all my subsequent associations with FEE. My early introduction to the economics of Mises and Sennholz have been a tremendous help to me in confronting the opposition with sound economic thinking."

— Ron Paul, M.D.
Member of Congress, 1976–1984

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THE FREEMAN
IDEAS ON LIBERTY

Environmental Protection: The New Socialism?

by Jane S. Shaw

In 1990, the economist Robert Heilbroner expressed genuine surprise at the collapse of socialism. Writing in *The New Yorker,* he recalled that in the debates over central planning in the 1930s and 1940s, socialism seemed to have won. A half century later he realized that he had been wrong and that "Mises was right."[1]

Since Heilbroner has leaned toward socialism for most of his career, he deserves credit for admitting that he was so mistaken. Yet by the end of his revealing essay, Heilbroner was suggesting that perhaps socialism wasn't dead, after all. He proposed "another way of looking at, or for, socialism." He suggested that we think of socialism "not in terms of the specific improvements we would like it to embody but as the society that must emerge if humanity is to cope with the one transcendent challenge that faces it within a thinkable timespan." That challenge, says Heilbroner, is "the ecological burden that economic growth is placing on the environment."

Heilbroner's characterization of environmental problems is as misinformed as his half century of wishful thinking about socialism. But this should not be surprising. Environmental issues frequently overwhelm intelligent thought and factual analysis.

For the past thirty years, the United States (and much of the developed world) has experienced the results of this basic misunderstanding, the view that economic growth poses an "ecological burden." The nation has acted upon the premise that more production leads to more smokestacks puffing out more pollutants and more sewage pipes sending more heavy metals and other wastes into our streams, and that only government regulation can stop the process. This assumption has led to extensive federal intervention in normal activities, from manufacturing to logging and, ultimately, to absurd results.

- The federal government defines a "wetland" in such a way that it doesn't have to be wet, as long as it has vegetation typical of wetlands. It regulates wetlands on the basis of the Clean Water Act, which does not mention the word wetland (the relevant provision was originally designed to prevent pollution into "navigable waters"). People have gone to jail for dumping a few loads of dirt on such "wetlands."
- The Endangered Species Act has been interpreted so severely that people are now deliberately modifying the habitat of their land so that endangered species will not settle on it. Without the act they would have been pleased to have a bald eagle or red-cockaded woodpecker take roost.
- The government of Anchorage, Alaska, is adding 5,000 pounds of fish waste per day into its sewage water. Environmental Pro-

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tection Agency regulations require that 30 percent of the organic material in sewage be removed before the sewage reaches the ocean; but in Anchorage, the sewage doesn't have enough organic material. It must be added and *then* 30 percent must be removed.[2]

• Strict controls on grazing practices have prevented the adoption of innovative range management. On private land, the Deseret Ranch in Utah, for example, stocks hundreds of cattle, while the Bureau of Land Management, which manages public land on the other side of the fence, can barely allow thirty animals on similar acreage.

• The EPA contends that a mobile home park in Aspen, Colorado, is built on an extremely dangerous mine waste site, and that residents face harm from lead poisoning, even though those who have lived there for years have blood lead levels below the national average. The EPA has made the park a Superfund site, and insists on a costly and disruptive cleanup. Other small mining towns similarly face a belligerent EPA.

How This Situation Arose

After World War II, as incomes rose, people's attitudes toward the environment around them changed. "Postwar affluence had produced a generation reared in relative comfort, one now in search of 'postmaterial' values long deferred by their elders," writes Christopher Bosso, attempting to explain the rise of environmentalism in the 1960s.[3]

Against the backdrop of growing wealth and leisure, the 1962 publication of *Silent Spring*,[4] an eloquent book by Rachel Carson, dropped like a bombshell. It aroused fears that the natural world was being damaged, perhaps destroyed, by human technology. In 1972 another book, *The Limits to Growth*,[5] raised fears of famine, overpopulation, and resource depletion. The authors predicted that "the limits to growth on this planet will be reached sometime within the next one hundred years."[6] When energy prices skyrocketed after the OPEC oil embargo of 1973, the book's predictions looked credible.

And, indeed, there were environmental problems. In many cities the air was dirty, and rivers were polluted and full of debris. The Cuyahoga River is said to have actually caught fire in 1969. The event became a symbol of the severity of pollution and galvanized many people to do something about it.

This determination to "do something" came at a time when Americans were looking to the federal government to solve just about any problem. The nation had just embarked on the War on Poverty, and the Apollo program to land a man on the moon was nearing its objective.

State and local governments, which had taken on some responsibility for environmental regulation, were not always aggressive in tightening environmental regulations, since they knew that residents did not necessarily want the goal of cleaner air and streams to override all other goals. But environmental activists considered these attitudes parochial, unenlightened, and political. They sought more control at the federal level, and they got it. Pollution control went off in a "bold new direction," says textbook author Thomas Tietenberg, with a "massive attempt to control the injection of substances into our air."[7] That federal attempt is still going on.

The nationalization of pollution control did not eliminate environmental politics, of course, but changed its location. Today, local and state governments find themselves in battles with the Environmental Protection Agency as it threatens to cut off funds if they don't meet the EPA's standards. And congressmen from one state pit themselves against those of other states, with the industrialized "Rustbelt" states in the Northeast and Midwest voting to impose heavier controls on new plants built in "pristine" areas such as the growing "Sunbelt."[8]

A Basic Misunderstanding

All this has happened because most people don't know that economic growth and

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environmental protection are closely and positively linked. Economists are well aware of this. A study by Gene Grossman and Alan Krueger of Princeton University[9] suggests that at low levels of income, economic growth puts initial stress on the environment, but after a certain level of wealth is reached the environment begins to improve. They indicated, for example, air pollution begins to decline when per capita income reaches between $4,000 and $5,000 (in 1985 dollars).

Another indication of this link is the affluence of environmentalists. For example, members of environmental organizations tend to be among the more affluent Americans. A typical reader of *Sierra*, the magazine of the Sierra Club, earns twice the average American income.[10]

In other words, as people become more affluent, they become more interested in protecting environmental amenities. That doesn't in itself eliminate pollution, which will continue as long as the air and water are, to some extent, "free goods." But in a system based on private property rights, several factors encourage people to limit pollution.

One factor is the common law, specifically the legal doctrines of public and private nuisance, trespass, wrongful bodily invasion, and riparian law. Although court suits are used less now, in the past when pollution was severe and when it affected a few people disproportionately (not the community as a whole), courts would provide protection, either through damages or injunctions against further pollution. People have a right against invasion of themselves or their property by harmful pollutants. This protection has never been perfect, but it has prevented or ended severe pollution.

Second, over the long run, the profit motive encourages owners to reduce pollution. Over the short term, they may be able to lower costs by letting waste out the smokestack, but that waste costs them money. Particulates in the air often are unburned fuel; by using that fuel rather than letting it go up the smokestack, companies can save money. Similarly, companies can save money by saving expensive chemicals or metals rather than losing them in the waste stream. So there is an inexorable tendency to reduce pollution.

These two reasons explain why the air in the United States was getting cleaner *faster* during the 1960s than in the 1970s, when the Clean Air Act was passed.[11] And private property rights also encourage efficient use of raw materials.

In 1965, the production of 1,000 metal beverage cans required 164 pounds of metal (mostly steel). By 1990, this required only 35 pounds (mostly aluminum).[12] And the trend is toward ever lighter cans for the simple reason that it is possible to save millions of dollars. Reducing the aluminum can's metal by 1 percent will save about $20 million a year.[13] The profit motive spurs both innovation and cost savings.

Another illustration of this trend toward efficiency is Mikhail Bernstam's comparison of resource use in socialist and market economies. He found that the market-based economies used about one-third the amount of energy and steel, per unit of output, that the socialist countries used.[14]

Partly due to the growth of incomes and the growing awareness of the environment, private conservation has been a hallmark of American society for more than 100 years. Late in the nineteenth century, for example, the National Audubon Society created a system of bird refuges around the country; early in the twentieth, the Sempervirens Club began saving California redwoods, in large part through private donations. In the 1930s, activist Rosalie Edge and a small group of friends bought a few hundred acres to create the Hawk Mountain Sanctuary in eastern Pennsylvania, to stop the slaughter of birds of prey. But this rich vein of history, of which these examples are mere nuggets, is little known.

The Situation Today: Hopeful or Disturbing?

In the late 1980s, Ocie Mills began to build a home for his son near Santa Rosa County, Florida. He poured clean fill dirt on the

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property. Although he had the approval of state officials, he had failed to obtain a permit from the federal government for filling a wetland. Mills and his son each served a 21-month prison sentence for failing to obtain a permit.[15]

Criminals to some, they were to others victims of regulatory excess. And gradually, individuals such as the Mills were joined by hundreds, and then thousands, of people who had felt the encroachment of the federal government. These people formed grassroots groups around the country and became the nucleus of the modern property rights movement, a movement that has been called a revolution.[16] The anger of these people who felt their rights had been trampled helped bring sweeping changes to Congress in the 1994 election.

The 1994 election was greeted by jubilant expressions of hope for a rollback of major regulations, repeal of some laws, and a general recognition that less government is better. And the new House of Representatives started out with substantial plans for regulatory reform. But these quickly fizzled. The reason is the same one that bothered Robert Heilbroner—the feeling that economic growth and environmental protection are incompatible without the strong arm of federal regulation. Environmental activists found that they could build on this idea and frighten people into thinking that the 1994 election had unleashed a destructive monster.

Unfortunately, the strong positive role of the private sector in protecting the environment is mostly unknown to Congress. Even Newt Gingrich, House Speaker and proponent of less government, appears to be completely unfamiliar with free-market environmentalism. The "moderate" Republicans, terrified at losing the moral high ground by being viewed as anti-environmental, have stopped the reform movement.

What is needed is a better understanding of environmental protection, and particularly its connection with economic growth and the institutions that promote economic growth. This educational process will take time, but the evidence is there to achieve that understanding. To borrow Heilbroner's words, that is our "transcendent challenge." □

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5. Donella H. Meadows et al., *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1972).
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12. Lynn Scarlett, "Make Your Environment Dirtier—Recycle," *The Wall Street Journal*, January 14, 1991.
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THE FREEMAN
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Freedom and American Labor Relations Law: 1946–1996

by Charles W. Baird

At the close of World War II, large segments of the American economy were in the iron grip of forced unionism. The Norris-LaGuardia Act (1932) together with the National Labor Relations Act (NLRA, 1935) had effectively exempted labor unions from the ordinary rule of law to which all individuals and other institutions were subject. John L. Lewis, the notorious leader of the United Mine Workers, actually was allowed to endanger the war effort in 1943 by a massive strike in the coal mines. Only the passage of the War Labor Disputes Act of that year, over President Roosevelt's veto, stopped the strike.[1] That Act expired after the war, and there followed an "unprecedented wave of strikes that were to almost overwhelm the nation during the winter of 1945 and the first half of 1946."[2] According to Congressman Fred Hartley, the cosponsor of the 1947 Taft-Hartley Act, labor racketeering was so pervasive that the press almost ignored it as commonplace.[3]

Largely because of union-based chaos, terror, and corruption, and the widespread perception that the Democratic party was in thrall to union bosses, Republicans gained control of both houses of Congress in the off-year elections of 1946 (as they did again in 1994). The 80th Congress, which was seated in January 1947, immediately entered into a battle with President Truman on the issue of taming the unions. The result was the Taft-Hartley Act which became law on June 23, 1947, by a congressional override of Truman's veto.

This essay first outlines some basic principles of the common law of contract, property, and tort and explains what Norris-LaGuardia and the NLRA substituted for it. It then explains the ineffectiveness of the Taft-Hartley to ameliorate the worst excesses of Norris-LaGuardia and the NLRA despite its authors' hopes. The third section discusses the phenomenon of government-sector unionism and why it is the only form of unionism that is prospering in 1996. In conclusion, on the horizon may be changes in American labor relations law that are consistent with the principles of a free society articulated by FEE in the past fifty years.

Common Law, Norris-LaGuardia, and the NLRA

Common Law and Voluntary Exchange

The definitive common law critique of American labor relations law is Richard Epstein's "A Common Law for Labor Relations: A Critique of the New Deal Labor Legislation."[4] Prior to the 1930s, the employment relationship was simply one of voluntary exchange contract between a will-

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ing employer and a willing employee. The proper role of government was "to prevent the private use of force and violence and to enforce promises, except when those promises are induced by duress or misrepresentation, or made by persons of manifest incompetence such as infants and insane persons."[5]

The common law develops over time as successive judges discover the moral and logical implications of the principles of voluntary exchange in many different kinds of disputes in many different kinds of circumstances. Voluntary exchange contracts meet four criteria:

1. Entitlement. All parties to the contract must either own that which they offer to exchange, or they must be acting as the authorized agent of the owner(s). In employment contracts, workers own their labor and employers own the job (in the sense that they own or lease the plant and equipment and site at which the job is done). Workers and employers are free to hire or not hire agents to represent them in the labor market.

2. Consent. All parties to the contract must agree to enter into the contracting relationship—i.e., to bargain with each other—and to the terms at which any actual exchange takes place—i.e., the final outcome of the bargaining. No forced bargaining can result in a voluntary exchange contract.

3. Escape. All negotiating parties must be able to turn down any offers they do not like and walk away from the bargaining process without losing anything to which they are entitled. There is no requirement that bargaining continue until a satisfactory deal is made or that either side must make concessions.

4. No misrepresentation. No party to the contracting may defraud any other parties. That is, no one can tell a lie. This leaves room for honest error. Someone can make a claim that he believes to be true when made, even if it turns out later to be incorrect. Moreover, this criterion does not require the parties to tell all they know. It merely proscribes any person saying something he knows to be false.

Employers' Common Law Rights

Prior to Norris-LaGuardia and the NLRA, an employer had a common law right to resist the unionization of his firm. For example, as part of a job description, he was free to include a requirement that a prospective employee refrain from union-related activity. An employee who accepted a job offer that included that union-free (or so-called "yellow dog") requirement was bound by his promise. A union that subsequently tried to get the employee to join a union and also to continue the employment relationship would be guilty of the tort of inducement of breach of contract.[6] Note, the union-free agreement did not prevent workers from joining unions. They simply required that if a worker chose to join a union he had to sever the employment relationship. Prior to 1932 government enforced these union-free contracts like any other contracts.[7] In 1932, Norris-LaGuardia made them unenforceable, and three years later the NLRA made them illegal.

Another way that an employer could legally resist unionization under the common law was to hold meetings with employees, on his time and premises, to try to convince them, without misrepresentation, that unions were a bad choice for employees. The NLRA imposed a gag order on employers. The NLRA forced employers to remain silent on the question of unionization. It was none of their business. It was up to the employees and the unions, without intervention from the employers, to decide the issue of unionization. Section 8(1) made it an "unfair labor practice" for an employer "to interfere with" the employee's decision to unionize. While interference by means of force or fraud are properly enjoined, "interference" in the form of honest expressions of opinion to the effect that unions are bad for workers are not.

Another way an employer could legally resist unionization under the common law was to refuse to hire a worker who was known to want to unionize his firm. Workers in unionized firms are faced with conflicting demands for loyalty. If I run a union-free shop my employees will be more loyal to

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the firm than if they are unionized. As an ordinary measure of self defense, the common law would allow me to refuse to hire anyone who would reduce the loyalty of my employees to my firm. Section 8(1) of the NLRA made it an unfair labor practice for an employer to discriminate for or against a worker based on his membership or nonmembership in a union.

Employers also had a common law right to choose to promote unionism. For example, an employer was free to agree with a union to hire only workers who had chosen to be its members. So long as the employer and the union were not forced to bargain over the issue, and so long as both consented to the arrangement without coercion or misrepresentation, it was a voluntary exchange contract which the government was supposed to enforce. The NLRA forced employers to bargain with unions to set up such "closed shops." Moreover, the unions with which the employers were forced to bargain were not made up of voluntary members. The NLRA forced all individual workers to be represented by the union that was "selected" by a majority of workers.

Employers had a common law right to set up their own unions. These were called company unions, and they were very common during the 1920s. They were programs by which employers sought to bring employees into some decision-making. They were early examples of what today are called worker-management cooperation schemes. They were also used by some employers to deflect the organizing efforts of independent unions. The NLRA made company unions illegal.

Other Special Privileges for Unions

The common law of property entitles an owner to "possess, use, and dispose" of that which he owns as he sees fit so long as in so doing he does not engage any other person in any involuntary exchange. Jones who seeks to enter, remain on, or use the property of Smith may do so only with Smith's permission. Absent that permission, Jones is guilty of trespass. Moreover, if Jones blocks access of others to Smith's property, through force or threat of force, Jones is guilty of trespass. What then of union organizers, strikes, and picketing?

As we saw above, Section 8(1) of the NLRA made it an unfair labor practice for an employer "to interfere with" an employee's decision to unionize. In addition to restrictions on employer speech, this was interpreted to prevent an employer from denying union organizers access to his plant. Suppose my employees are interested in signing up for computer instruction. A representative of a computer training firm shows up at my door asking to speak to my employees. I have a common law right to prevent that representative from entering my plant at any time and talking with my employees during working hours. But, under the NLRA, if a union organizer showed up at my door asking to speak with my employees, I could not keep him out of the plant. I could prevent him from talking with my employees while they were working, but I could not prevent him from talking with them, on my premises, during breaks.

A strike is more than just a collective withholding of labor by workers who each regard the employer's offer of compensation (or some other proposal) to be inadequate. A strike is that, but it is also, through picket lines, an attempt to prevent replacement workers, suppliers, and customers from doing business with the struck firm. Mass picketing, even if it is peaceful, is intimidating. It is an implicit (and most often an explicit) threat of harm to anyone who crosses the line. As such, picketing is trespass against the common law property right of the strike target to do business with willing replacement workers, suppliers, and customers. The U.S. Supreme Court upheld that common law right in *American Steel Foundries v. Tri-City Central Trades Council* (257 U.S. 184 [1921]). The Court limited pickets to one per entrance, and stated that all pickets had to be actual employees of the firm being picketed. Strangers, nonstrikers bussed in by the union to create formidable picket lines, were forbidden to picket in strikes. The Court allowed one picket per entrance on free speech grounds, but disal-

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lowed mass picketing and any picketing by strangers on grounds of the common law of property and trespass. Norris-LaGuardia repealed the Court's *Tri-City* decision. It permitted mass picketing, including picketing by strangers.

Worse than that, it allowed violent picketing to prevent replacement workers, suppliers, and customers from crossing the line. Norris-LaGuardia prohibited federal judges from issuing injunctions against picketing, or other strike activity, even if violence was involved. (It was left to the usually outnumbered local police officials to keep the peace.) Specifically, Section 7(c) of Norris-LaGuardia said no strike activity could be enjoined by a federal court unless testimony, subject to cross examination and accompanied by rebuttal testimony, had been taken which leads the judge to think "that as to each item of relief granted greater injury will be inflicted upon complainant [the employer seeking the injunction] by the denial of relief than will be inflicted upon defendants [the violent union picketers] by the granting of relief." Suppose a gang is raiding an office building. If Section 7(c) of Norris-LaGuardia applied, a judge could not enjoin the raid unless competing testimony led him to think that the damage to the building owner if the raid continues would be greater than the damage to the gang if the raid were stopped.

There is a common-law proscription of "combinations in restraint of trade." The 1890 Sherman Antitrust Act and the 1914 Clayton Act were codifications of that common law proscription. Prior to Norris-LaGuardia, labor unions were subject to the antitrust laws. Some secondary strikes (e.g., a strike of the employees of firm A against firm B that is a customer or a supplier of firm A) were enjoined as impermissible restraints of trade. Violent primary strikes were also sometimes enjoined on antitrust grounds. But Norris-LaGuardia gave unions immunity to the antitrust laws.[8] Strikes, even violent strikes, and even secondary strikes, could not be enjoined on any grounds, whether trespass or antitrust, in federal courts.

The common law includes the doctrine of *respondeat superior*, or vicarious responsibility. If I am driving a delivery truck for my employer and I hit a pedestrian, I am liable for damages, and so, too, is my employer. As a driver for him, I am his agent. He is responsible for any damages I create. Under the common law, the same rule would apply to labor unions. Under the NLRA, if I am walking a picket line at the behest of a union, and I hit a replacement worker over the head with a hammer, I am liable for damages (and even criminal prosecution by local authorities), but the union that placed me on that picket line is not. Norris-LaGuardia gave unions complete freedom from vicarious responsibility. No union can be prosecuted for any of the acts of its strikers, no matter how violent or even if union bosses order the violence.

The heinous results of the special privileges granted to unions by Norris-LaGuardia are well illustrated in the case of *Apex Hosiery Co. v. Leader* (310 U.S. 409 [1940]). The employer was operating on an open-shop basis. The union wanted to force all 2,500 employees to unionize. Eight employees who were union members, joined by members of the same union who were employed by *other* firms (i.e., strangers to Apex), undertook a sitdown strike. In other words, they occupied the premises of the employer, prevented willing employees from working, and proceeded to destroy machinery on the shop floor. The company applied for an injunction against the union on Sherman Act grounds of a violent combination in restraint of trade including trespass on private property. In the end the U.S. Supreme Court denied the company any relief by claiming that Norris-LaGuardia protected unions from any antitrust prosecution. In the words of the Court, "Restraints not in the [Sherman] Act when achieved by peaceful means, are not brought within its sweep merely because, without other differences, they are attended by violence." So much for the basic responsibility of government "to prevent the private use of force and violence" and maintain the peace.

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Workers' Common Law Rights

Workers also had a common law right to resist unionization. This was part of their freedom of association as guaranteed by the Bill of Rights in the U.S. Constitution. Each individual worker could decide for himself, notwithstanding what a majority of his colleagues might choose, whether to be represented by a union in the sale of his labor. A worker who wanted such representation joined the union and paid its dues. A worker who wanted to speak for himself in the sale of his labor neither joined a union nor paid its dues.

The NLRA destroyed the freedom of association of individual workers who wanted to remain union-free although a majority of their colleagues wanted to unionize. Specifically, Section 9(a) states that, "Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representatives of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment." Individuals are forbidden to represent themselves. They are forbidden to enter individual contracts with their employers.

Unionists excuse this tyranny of the majority on the grounds that it is democratic. But "democracy" is a form of *government* designed to give the governed some say over what the government does. Democracy is an institution originally conceived as a way of preventing government from trespassing on the protected private domain of human action. The Founders of the American republic never intended that the will of a majority should control anything except their short list of constitutionally authorized governmental activities. The sale of a private citizen's labor is not a governmental matter. It is a private matter. Under common law, government's only legitimate role in the employment relationship is to enforce voluntary exchange contracts.

Moreover, the "selection" made by a majority in Section 9(a) was not really democratic. The National Labor Relations Board (NLRB) was given the authority to determine what a majority wants. There was no mandatory secret ballot election. Union "organizers," could solicit signatures of workers on an eyeball-to-eyeball basis. Workers who refused to sign often did so at their own risk. The NLRB could order an election, but it didn't have to. Inasmuch as members of the NLRB were selected from the ranks of union sympathizers, they usually certified exclusive bargaining agents without benefit of a vote.

The scheme was undemocratic in yet another respect. The NLRA did not require any regularly scheduled re-elections. Once certified as an exclusive bargaining agent, a union was presumed to continue to have majority support forever, even if all the workers that originally "selected" it left the firm and were replaced with new workers. The new workers never had any kind of say in the question.

To make matters worse, the NLRA forced employers to bargain with unions over whether to force all the employees represented by an exclusive bargaining agent to be, or become, dues-paying union members. Section 8(3) of the NLRA makes it an unfair labor practice for an employer "to encourage or discourage membership in any labor organization: *Provided*, that nothing in this Act . . . shall preclude an employer from making an agreement with a labor organization . . . to require as a condition of employment membership therein" [emphasis in original]. Note the duplicity: An employer cannot encourage or discourage membership in a union, he can only require it.

Forced union membership is called "union security." Unions were granted security against workers who want to be union-free. Thus workers who didn't want to associate with unions were coerced in two ways. They were forced to have a union "selected" by a majority of their colleagues represent them, and they were forced to pay tribute (dues) to those unions as a condition of continuing their employment relationship with their employers.

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Unions defended their union security (forced membership) schemes on the grounds that since Section 9(a) forced unions "selected" by a majority to represent all workers, it was only fair for all workers to be members. Otherwise a minority would be "free-riders." They would get the benefits of union representation for free. Of course, if unions represented only their voluntary members, only those who individually wanted union representation, there could be no free-riders. Unions, and the politicians in their thrall, were not embarrassed by the fact that they fought long and hard to get the privilege of exclusive representation and then claimed that exclusive representation "forced" them to represent all workers who therefore must be forced to join and pay dues.

The common law, as we have seen, is based on voluntary exchange contracting between individuals. The preambles of both Norris-LaGuardia and the NLRA asserted that workers do not have "actual liberty of contract," thus the common law was inadequate to protect the rights of workers. Employees were, the preamble to the NLRA asserted, on the short end of an "inequality of bargaining power," with employers. This idea that workers on their own are helpless in the labor market so they need unions for self-defense is a hoary myth. As W. H. Hutt[9] and, later, Morgan Reynolds[10] have demonstrated, data falsify the myth. In the nineteenth century, long before the existence of significant unionization in the United States, real wages were on a strong upward trend, and worker-initiated job switching was frequent and became increasingly common. Contrary to the view that says large-scale employers exploited unorganized workers, large firms paid workers more than small firms. Contrary to the claim that employers had unfair bargaining power because unorganized workers could not afford to turn down even poor job offers, workers with savings weren't able to bargain for better wages than workers without. Finally, contrary to the conventional wisdom that unions were necessary to offset employer combinations designed to keep wages low, most employer associations were formed in self-defense against unions that had already been formed to attempt to take wages out of competition.

The question of bargaining power in voluntary exchange contracting is one of alternatives. The labor market is like any other market. Buyers (employers) compete with other buyers, and sellers (employees) compete with other sellers. When a buyer and seller come together to bargain on a mutually beneficial exchange, their bargaining power depends on those two types of competition. Other things being equal, the employee has more bargaining power when there is strong competition among employers to hire his type of labor and when there is weak competition among other workers trying to sell his type of labor. Other things equal, the employer has more bargaining power when there is weak competition among employers seeking to hire similar labor and strong competition among workers seeking to sell similar labor. Obviously, insofar as a worker is not responsible for denying an employer access to other workers selling similar labor, there are no moral grounds for government to favor the employer over the worker. Why then, insofar as an employer is not responsible for denying a worker access to alternative employment opportunities, should government favor the worker over the employer? The Fourteenth Amendment to the U.S. Constitution is supposed to guarantee the employer and the employee "equal protection of the laws."

The Taft-Hartley Act

The Taft-Hartley Act is named after its principal sponsors: Senator Robert A. Taft and Representative Fred A. Hartley, Jr. The purpose of the legislation was to "restore some balance" between unions and employers, by curbing the power of unions. Whereas the preamble of the NLRA blamed employers for the ills the legislation was supposed to cure, the preamble of Taft-Hartley assigned equal blame to unions and employers. Whereas the announced intent

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of the NLRA was to promote and assist unions, the announced intent of Taft-Hartley was to protect the rights of workers, unions, and employers. Whereas under the NLRA the official job of the NLRB was to get workers into unions, under Taft-Hartley its official job was to be a neutral umpire in labor disputes.[11] Whereas the NLRA assured the right of workers to unionize, Taft-Hartley added a right of workers to refrain from organizing. Whereas the NLRA listed only employer unfair labor practices, Taft-Hartley added a list of union unfair labor practices. There is no doubt that Taft-Hartley did tip the scales toward more balance. However, it fell far short of achieving that balance.

The union movement labeled Taft-Hartley the "Slave Labor Bill" when it tried, unsuccessfully, to defeat it in Congress in 1947. The union movement referred to Taft-Hartley as the "Slave Labor Act" in its successful attempt to re-elect President Truman and restore both houses of Congress to the Democrats in the elections of November 1948.[12] Notwithstanding that victory, the union movement failed subsequently to repeal Taft-Hartley. It is still the law of the land. Far from a slave labor act, I think it is better labeled the "Continued Forced Unionism Act of 1947."

First, Taft-Hartley didn't reach many of the points raised in the previous section at all. Union-free (or "yellow dog") contracts are still illegal. Employers are still not free to refuse to hire union sympathizers. Employers are still not free to form company unions and offer them to their employees as alternatives to independent unions. In fact, in 1992 the NLRB ruled that a worker-management cooperation program in a non-union firm was an illegal company union and was used by the employer in an illegal way to discourage unionization.[13] Now, it seems, labor-management cooperation that is not union-management cooperation is illegal. Mass picketing by strangers is still legal. Unions are still immune to the anti-trust laws. They are still exempt from the common-law principle of vicarious responsibility; and, in primary strikes, they are still immune to injunctions against any, including violent, strike activity. In *United States v. Enmons* (410 U.S. 396 [1973]) the Supreme Court explicitly granted unions immunity to the Hobbs Anti-Extortion Act.[14] As long as their activities are related to their legitimate purposes in a primary strike, they can be as violent as they like. Individual perpetrators of violence are liable to prosecution by local authorities, but the unions themselves are not. Taft-Hartley did affect some points raised in the first section, but inadequately. It restricted union secondary strikes, but the NLRB found ways around the restrictions, so in 1959 the Congress had to strengthen those restrictions in Title VII of the Landrum-Griffin Act. The restrictions are still inadequate.

Taft-Hartley did not directly affect the access of union organizers to employers' property, but it did so indirectly. In 1956 the Supreme Court, in *NLRB v. Babcock & Wilcox* (351 U.S. 105), apparently inspired by the intent of Taft-Hartley to restore balance, made a distinction between union organizers who are already employees and those who are not. The former were granted unrestricted access, the latter were granted access if they had no other means of communicating with the workers they sought to organize. This was called the principle of accommodation. In 1992, the Court, in *Lechmere v. NLRB* (502 U.S. 527), the first majority opinion written by Justice Clarence Thomas, greatly restricted this principle of accommodation to those (very few) cases of worker isolation such as in residential logging camps.

The authors of Taft-Hartley tried to address the issue of employer free speech. Section 8(c) of the Act states that "The expressing of any views, argument, or opinion, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of an unfair labor practice under and of the provisions of this Act, if such expression contains no threat of reprisal or force or promise of benefit." It is supposed to apply equally to unions and to employers, but, in practice, it does not. For example, employers are

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forbidden to promise a pay raise in exchange for a worker's vote against a union in a certification (or representation) election. But unions can promise a pay raise to a worker in exchange for a vote in favor of a union in the same election. The fig leaf that covers that unequal protection of the law is that unlike the employer, the union doesn't promise the pay raise out of its own pocket. Worse, in *NLRB v. Gissel Packing Co.* (395 U.S. 575 [1969]) the Supreme Court said that the employer was guilty of an unfair labor practice because, during a certification election, the employer claimed that it was not financially strong so that if the union were certified and then called a strike the plant may have to be closed. The Court said that an employer may express general views about unions, but any predictions of consequences of any specific unionization must be limited to consequence beyond the employer's control. So much for meaningful free speech.

While the NLRA imposed a duty on employers to bargain with certified unions, the unions had no such duty; they could refuse to bargain with impunity. Taft-Hartley imposed a duty to bargain on unions as well as employers. Moreover the bargaining had to be in "good faith." In practice this means that employers (and, to a smaller extent, unions) have to grant concessions during the bargaining. For example, in *NLRB v. General Electric* Co. (418 F. (2d) 736 [1969]), the employer was found guilty of an unfair labor practice because its representative placed a proposal before the union negotiators and, in effect, said take it or leave it. The employer refused to grant concessions. Note that this, too, is a restriction on employer free speech. In this case the employer arrived at his offer by polling the workers to see what they would consider reasonable. The employer was chastised for dealing with the union through the employees rather than, as Taft-Hartley requires, dealing with the employees through the union.

Taft-Hartley did make some significant changes with regard to the "selection" of unions to be exclusive bargaining agents. First, it mandates secret ballot elections unless the employer agrees to waive an election. The employer cannot recognize a union as the exclusive bargaining agent unless the union has majority support. Most of the time employers insist on an election as the only way a union can demonstrate that majority support. Sometimes, however, an employer will recognize a union on the basis of signed authorization cards. If a union gets at least 30 percent of the workers it seeks to unionize to sign authorization cards, it can petition the NLRB to hold a secret ballot certification election.

Taft-Hartley also added a decertification election process to the law. Once certified, a union is still presumed to have majority support indefinitely, even if all the workers that voted for the union are no longer employed by the firm; but disgruntled employees may attempt to decertify the union. Employers must keep hands off the process, but if individual employees are able to collect the signatures of at least 30 percent of the relevant workers on a petition requesting a decertification election, the NLRB will order such an election. It is as if a member of Congress could hold his office indefinitely unless some voters in his district got at least 30 percent of the eligible voters in his district to sign a petition requesting a recall election.

More importantly, Taft-Hartley did nothing to exclusive representation itself. It is still true that if a majority of workers who vote in a certification election vote in favor of a union, that union is the exclusive bargaining agent for all workers in the unit. It represents the workers who voted for it, the workers who voted for another union, the workers who voted to be union-free, and the workers who didn't vote. It still is a winner-take-all system subject to the same objections raised in the first section of this essay.

Taft-Hartley also made some significant changes with regard to union security. It outlawed the closed shop, but put the union shop and the agency shop in its place. In the former, a worker doesn't have to be a union member to be hired, but after a probationary

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period he must join the union as a condition of continued employment. The British call the union shop a post-entry closed shop. In the agency shop version of union security, workers don't have to join unions to keep their jobs; they just have to pay union dues. It is still the case that employers are forbidden to encourage or discourage workers from affiliating with unions, they can only compel workers to do so. However, Section 14(b) of Taft-Hartley does affect union security in a significant way. It allows the individual state governments to pass right to work laws within their own jurisdictions. Twenty-one states have done so. In those states, unions and employers are forbidden to include any union security clauses in their collective bargaining agreements. In the 29 states that have failed to pass right-to-work laws, the objections raised to union security in the first part of this essay still apply.

Congress is currently debating a National Right to Work Bill, which would make all union security schemes in the private sector illegal, but President Clinton is sure to veto it. It is likely that there are insufficient votes to override the veto.

Government-Sector Unionism

Government employees were exempted from coverage under both the NLRA and Taft-Hartley. Until 1962 government employee unionism was widely regarded as unthinkable, even by union-friendly politicians such as Franklin Roosevelt and Harry Truman. However, in that year President Kennedy issued Executive Order 10988 which authorized limited, but mandatory, collective bargaining by unions representing federal employees. In Title VII of the Civil Service Reform Act of 1978, the principle of exclusive representation was imposed on federal employees, but they were spared the principle of union security. There is still a limited scope of collective bargaining. For example, federal employee unions cannot bargain over wages. Nevertheless, in 1993 President Clinton appointed the National Partnership Council whose charge it is to promote the imposition of the full burdens of private sector unionism on federal employees. With the present (104th) Congress, there is little likelihood that will happen.

After President Kennedy's executive order, state after state imposed the full burdens of private-sector unionism on state and local government employees. At present 24 states have done so. In 1994 President Clinton appointed the Task Force on Excellence in State and Local Government through Labor-Management Cooperation to study the possibility of enacting a national government employees labor relations law to force all states to adopt Taft-Hartley-style unionism for their state and local government employees. Again, the 104th Congress is unlikely to cooperate.

However, the government sector is the only place where unionism flourishes today. In the private sector only 10 percent of the labor force are unionized. In the government sector, 39 percent are.[15] The peak year of private-sector density was 1953, when it was 36 percent. In that year figures on government-sector density weren't even collected. Government-sector unionism was almost nonexistent, and where it did exist it was not officially recognized.

According to Leo Troy, private-sector density will be below seven percent in the year 2000, about where it was in 1900, before Norris-LaGuardia and the NLRA. Troy calls this the symmetry of history.[16] The primary reasons for the decline of private-sector unionism are the globalization of economic competition and technological changes. Competitive pressures have made it virtually impossible for employers to pass union-based cost increases forward to consumers so the employers are more resistant to unionism than they were in the past. Advances in technology have greatly decreased the market shares of blue-collar industries in which private-sector unionism had its strength. Private-sector unionism is declining in all major industrial countries.

The real threat of unionism to freedom is now in the government sector. The new president of the AFL-CIO is John Sweeney, the erstwhile president of the Service Employees International Union, which consists

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"The Humphreys family found FEE through The Freeman *when a businessman calling on Jay Humphreys, president of TAMKO, gave him an issue of the magazine with the admonition, 'You had better know what you believe, and be able to articulate it when you negotiate with a union. Reading this will help you.' That was in 1958. And Jay was the first to agree. It did help, not only in negotiations, but in translating an understanding of liberty and human action to all phases of managing a business.*

When I remember Leonard Read, I think first of the vital man he was – his confident manner, his quick stride, his zest for his work, his charismatic personality. His flair for the dramatic permeated his writing and his talks. Whoever has seen his demonstration with the candlelight of freedom glowing in a dark room surely cannot forget the emotions Leonard's performance evoked."

– *Ethelmae Humphreys*
Chairman, TAMKO Roofing Products

primarily of government employees. There are three reasons that government-sector unionism is flourishing. First, government agencies are usually monopoly providers of their products and services so it is easy for government employers to pass union-based cost increases on to customers (taxpayers). Second, government unions and government agencies that employ government workers are actually on the same side of the bargaining table. It is in the interest of both groups to pick the pockets of taxpayers and to have their budgets and responsibilities grow. Troy calls government-sector unionism the "new socialism." It is primarily an attempt to redistribute more and more of the national income to government. Third, to a large extent the government-sector unions have organized the already organized. Union organizers, aided by favorable legislation, merely converted already established public-employee associations into unions.

Government-sector unionism is inherently anti-democracy.[17] Unionists have long argued that employment in the government sector is the same as employment in the private sector. If we allow unionism in the latter, we must do so in the former. But this argument doesn't work. Think how collective bargaining is done in the private sector. First, the employer is forced to bargain in good faith with a certified union. The employer must make concessions to the union. Second, the employer is forbidden to deal with workers directly. The union's approval is necessary before the employer decides anything that comes under the scope of collective bargaining. Third, the bargaining is done behind closed doors with both sides legally bound to keep the negotiation confidential until either an impasse or an agreement is reached. In sum, the employer is forced to share decision-making power with the union, and the general public is excluded from the process.

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Now, wages and salaries and other terms and conditions of employment in the government sector are matters of public policy. Collective bargaining in government, on the private-sector model, means that government is forced to share its making of public policy with a private organization, on an *exclusive* basis. The general public is forbidden to participate in the process. The Constitution established three branches of government: the executive, the legislature, and the judiciary. There is no fourth branch of government called unions of government employees. Government employee unions don't just lobby government on matters of public policy like other special interest groups, the Sierra Club, for example. They actually *co-determine* public policy with the government. This is the model from Mussolini's Italy.

Government workers are citizens like any other citizens. Therefore, they should have the same influence on public policy as any other group of citizens. But they shouldn't be given the disproportionate influence that mandatory, closed-door bargaining with exclusive bargaining agents in the government sector gives them. It is undemocratic for government employees to conspire with government agencies, in rooms from which taxpayers are excluded, on the size of the government budget.

In the private sector the optimal amount of unionism is whatever would emerge under neutral legislation. Government should neither support nor inhibit private-sector unionism. However, the optimal amount of unionism in the government sector is zero. It amounts to taxation of the people, by the unions, for the unions.

In Conclusion

The fiftieth anniversary year of the Foundation for Economic Education could be a watershed year in labor relations law. If the 105th Congress, which will be elected this November, is a bit more sympathetic to individual liberty than the incumbent 104th Congress (especially the Senate), and if the office of the President is filled by a similarly inclined person, all existing labor relations law could be scrapped.

Abolishing exclusive representation would protect the right of each individual to select representatives "of his own choosing." If unions bargained for their voluntary members and no one else, union security would be moot. Moreover, returning to the common law of contract would mean making collective bargaining voluntary instead of compulsory, and restoring the right of workers and employers to resist unionization. We could return to the common law of property, by allowing owners themselves, rather than the NLRB, to decide who has access to their property. In sum, the only "unfair labor practices" would be those that are inconsistent with the principles of voluntary exchange. □

1. Fred A. Hartley, Jr., *Our New National Labor Policy* (New York: Funk & Wagnalls Co., 1948), p. 16.
2. *Ibid.*, p. 18.
3. *Ibid.*, p. 41.
4. Richard A. Epstein, "A Common Law for Labor Relations: A Critique of the New Deal Labor Legislation," *The Yale Law Journal*, Volume 92, Number 8, July 1983, pp. 1357–1408.
5. *Ibid.*, p. 1359.
6. *Ibid.*, p. 1374.
7. See, for example, *Hitchman Coal & Coke Co. v. Mitchell*, 245 U.S. 229 (1917). Interestingly, Morgan Reynolds, *Power and Privilege*, (New York: Universe Books, 1984), pp. 98–100, showed that at least in this case the union-free agreements were initiated by *employees* to inhibit the United Mine Workers Union organizers.
8. Many free-market economists say that there should be no antitrust laws at all. D. T. Armentano says they have been misused to protect specific competitors rather than the process of competition. My view is that if we have antitrust laws they ought to be applied equally to employers and to unions.
9. W. H. Hutt, *The Strike Threat System* (New Rochelle, N.Y.: Arlington House, 1973), Chapter 16.
10. Morgan O. Reynolds, *Power and Privilege: Labor Unions in America*, *op. cit.*, Chapter 3.
11. R. Alton Lee, *Truman and Taft-Hartley* (Lexington, Ky.: University of Kentucky Press, 1966), p. 184.
12. *Ibid.*, Chapters 4–7.
13. Charles W. Baird, "Are Quality Circles Illegal? Global Competition Meets the New Deal," *Cato Briefing Papers* No. 18, The Cato Institute, Washington, D.C., February 10, 1993. The case was *Electromation* 309 NLRB No. 163.
14. For an exhaustive record of union violence from 1947 through 1983, see Armand J. Thieblot, Jr., and Thomas R. Haggard, *Union Violence: The Record and the Response by Courts, Legislatures, and the NLRB*, The Wharton School, Industrial Research Unit, University of Pennsylvania, 1983.
15. Leo Troy, "Private-Sector Unionism Weakens," *The Wall Street Journal*, September 1, 1995, op-ed page.
16. For an excellent discussion of the history and prospects of government-sector unionism and the decline of private-sector unionism, see Leo Troy, *The New Unionism in the New Society* (Fairfax, Va.: George Mason University Press, 1994).
17. Robert S. Summers, *Collective Bargaining and Public Benefit Conferral: A Jurisprudential Critique* (Ithaca, N.Y.: Institute of Public Employment, Cornell University, 1976).

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THE FREEMAN
IDEAS ON LIBERTY

Banking and Freedom in the Fifty Years of FEE

by Steven Horwitz

The regulatory changes undergone by the U.S. banking system in the fifty years since the founding of FEE are a very close reflection of the broader intellectual changes that have taken place during the same period, many of which are due to the effort of people associated with the Foundation. One can plausibly argue that, in several respects, the U.S. banking system is less burdened by regulations than at any time in the past. At the same time, however, the regulations that do remain hamper the operation of profitable banks, harm consumer welfare, and continue to undermine the safety and stability of the U.S. banking system. The grudging removal of some regulations by the federal and state governments has enabled banks to provide a range of products and services (both economically and geographically) that was unheard of just a couple of decades ago. If deregulation of the banking industry continues into the next century, American consumers will more fully reap the benefits of freedom in this most central of industries.

The American banking industry of 1946 would seem odd to someone who has come of age in the 1980s and '90s. Banking institutions were rigidly divided into commercial banks or savings and loans associations; neither was able to operate across state lines, and many states prevented both from operating branches even *within* the state. Options for consumers were extremely limited—for most, simply a choice between a passbook savings account that could earn no more than 5 percent interest, and a checking account that, by law, could earn no interest. Financial institutions were frequently "mom-and-pop" operations, with many observing so-called "bankers' hours" of 10 to 3, and almost all facing relatively little competition from nonbank providers of financial services.[1] There were no ATMs, no mutual funds, very few credit cards, just one kind of mortgage, and virtually no price competition because of price controls on interest payments.[2]

In the intervening decades, the banking industry has undergone numerous changes, many due to investments in advancing technology that has made new kinds of financial services available to consumers. A list of examples would be quite lengthy, but one group should make the point. The development of high-speed computers and the associated communications technology have made possible ATM machines, wire transfers, and a variety of sophisticated financial instruments that depend on computer calculations to figure the riskiness of alternative financial assets in a portfolio. The

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explosion of choices available to consumers of even modest means is tribute to both the market's ability to generate technological innovation through competition (where that freedom is allowed) and the prosperous standard of living in the United States that has enabled consumers to demand more sophisticated financial instruments.

The Push for Change

In addition, many of the industry's changes have been due to genuine deregulation, the push for which has come from three sources. First, the inflation of the 1970s radically changed the banking industry by creating problems it had never faced before. Second, the advances in technology and communications that simplified the moving of money made the existing geographic restrictions on banking seem even more archaic than they already were. Third, the general skepticism toward centralized government solutions that emerged in the 1980s (a result of historical events both here and abroad and changes in the intellectual landscape) generated political support for deregulation.[3]

The inflation of the 1970s was responsible for a number of changes in the banking industry, dealing primarily with the price controls on interest rates. As inflation caused interest rates to rise as high as 20 percent by 1980, consumers and banks faced serious problems. For consumers, the problem was finding a place to put money that could earn rates of interest that would compensate them for the ongoing inflation. If the inflation rate was 10 percent, then money deposited in a standard checking account that paid no interest eroded by 10 percent per year. Passbook savings accounts offered only about 5 percent interest and did not allow checks to be written against them. Neither option was desirable. As a result, consumers wanted to find ways around the price controls to earn competitive interest rates on their bank balances.

One option, buying large denomination financial instruments that were allowed to pay higher rates of return, was frequently out of the reach of small savers. The brilliant entrepreneurial solution to this problem during the mid-1970s was the money market mutual fund. These funds (often operated by nonbank financial institutions) would pool the savings of their customers and, in turn, buy large denomination certificates of deposit (over $10,000), which were not subject to the interest rate controls. After subtracting administrative costs and profits for itself, a money market fund would pay its customers slightly less than what it earned from the CDs, but far more than depositors were receiving from standard checking or savings accounts. The result was a major drain of funds away from conventional banks, toward financial institutions that were offering the new money market instruments.

Of course the banks did not stand idly by while this was happening. They appealed to regulators to allow them to offer special kinds of interest-bearing checking accounts akin to the money market mutual funds. They also lobbied for the removal of the interest rate controls that dated back to the mid-1930s. Both of these efforts were successful and now banks can offer a wide range of mutual fund instruments and are free to pay competitive interest rates on standard checking accounts. In these ways, banks are notably freer than they were fifty, or even twenty-five, years ago.

Often overlooked in the popular press was that the savings and loan failures of the 1980s were rooted in the inflation of the 1970s. As interest rates rose due to inflation, savings and loans who had granted thirty-year mortgage loans at low, fixed rates of interest found themselves in trouble. They were only earning five or six percent on their loans, but had to pay up to 20 percent to bring in new funds. This combination was a recipe for disaster, and sent many savings and loans into a tailspin as early as the middle and late 1970s. In addition, double-digit inflation also spurred the development of adjustable-rate mortgages, as well as the whole secondary market in mortgage-backed securities, as ways for banks to shield themselves against interest rate risks. In so doing, the banks also offered new

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options to consumers who might prefer adjustable rates if they believed interest rates would fall in the future.

As the troubles of the savings and loans continued on into the early 1980s, the acquisition of failing institutions by stronger banks or savings and loans was seen as a way to avoid some of the most harmful effects of bank failures. However, federal regulations limited such opportunities by restricting interstate mergers and acquisitions, particularly for savings and loans. In 1983, Congress passed the Garn-St Germain Act, which allowed interstate mergers and acquisitions if the acquired institution was in serious trouble. Although brought on by previous government activity (i.e., the inflation), this regulatory change was a step in the right direction, and opened the door to further activity in interstate banking.

Along with the need to address the devastating effects of inflation on the banking system, two other factors were crucial to ending the geographic limitations on banks and savings and loans. As communications technology continued to change, as domestic and international markets expanded, and as the population became more mobile, the limits on interstate banking—cemented in place in the 1920s—became increasingly burdensome. In addition, the high concentration of bank and savings and loan failures in Texas and Oklahoma after the fall in oil prices in the 1980s also suggested that interstate banking was desirable. The oil-state banks had significant limits on their ability to make loans across state lines. As a result, they were heavily tied to oil-related firms. When oil prices fell, the firms collapsed, taking the banks along with them.[4] Both banks and policy makers recognized that increased opportunities for geographic diversification were needed.

From about the mid-1970s forward, some states began to address the interstate banking issue through a loophole in the law. The Douglas Amendment to the Bank Holding Company Act of 1956 allowed individual states to admit banks from other states by a specific legislative act. For example, New York could negotiate an arrangement with New Jersey to allow each other's banks to cross the state line. From the mid-1970s onward, states began to make just these sorts of arrangements, in most cases by forming regional reciprocal agreements.[5] In the last five years or so, most states have opened their borders to any other state that is willing to reciprocate. Moreover, as of September 1995, national legislation went into effect that allows banks from all states to merge with or acquire banks in any other state. These changes in the interstate banking laws are among the most significant deregulatory moves in the recent history of banking. They promise to provide heightened competition and greater safety in the years to come by allowing banks to better diversify their loan portfolios.

Despite these gains, significant problems still exist with the regulatory structure of the banking system, three of which I will briefly discuss. Perhaps the most important is the federal deposit insurance program. Banks are forced to pay premiums into a fund designed to pay the depositors of failed banks. Because premiums are based solely on amounts deposited without regard to portfolio risk, banks are inclined to worry less about risky lending practices.

One factor contributing to the crisis of savings and loans was Congress' allowing them to enter the commercial real estate market in the early 1980s—by itself not a mistake as it allowed diversification—at the same time it raised the maximum amount covered by deposit insurance from $40,000 to $100,000, thereby giving the savings and loans both more ability and more incentive to undertake risky loans. When the real estate market took a tumble later in the 1980s, many banks and savings and loans were taken down with it. Industry analysts have pointed out that 43 percent of the total losses of savings and loans were due to bad real estate investments. Had the deposit insurance ceiling not been raised (or not existed at all) and had savings and loans been able to lend across state lines more easily, the overall riskiness of their loan portfolios would have been lower and the

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"Attending FEE seminars, reading the literature, and making great friendships there has meant a remarkable professional life for me. It was a Henry Hazlitt book from FEE, The Failure of the 'New Economics'*, that brought me in touch with the Committee for Monetary Research & Education, an organization that has become respected throughout the nation and abroad.*

As FEE moves into the next fifty years, its work is more important than ever and will continue to serve as a vital foundation for a better society and nation."

*— **Elizabeth B. Currier***
President, Committee for Monetary Research & Education, Inc.

number of failures would have been far less. Reforming, abolishing, or privatizing federal deposit insurance remains one of the most important policy issues facing the banking industry as a new century is about to begin.

A second set of regulation still plaguing banks, and, according to a survey of bankers, the single most costly set of regulations they face, are those associated with the Community Reinvestment Act of 1977. This law forces banks to make a certain percentage of their loans to individuals and businesses in their local area, and requires an immense amount of paperwork to document their compliance. Beyond the waste of the paperwork, the CRA increases the riskiness of banks by forcing them to make loans to borrowers to whom they would not otherwise lend. The CRA amounts to a wealth redistribution program with banks as the means. In the end, consumers and taxpayers carry the burden either because banks are forced to forgo making other loans (what economists call an opportunity cost) or government bails out depositors of banks who fail due to too many bad loans. The CRA seems likely to linger on as onerous as ever despite efforts by the Congressional majority to weaken or eliminate it.[6] Ending the CRA would both release needed bank resources and enhance the stability of the U.S. banking system.

The third set of restrictions on banking freedom is a much more fundamental one. The span of FEE's existence is virtually identical with the period during which the Federal Reserve has become the dominant policy-making force in the U.S. economy. It has done so by being insulated from any political or economic constraints on its decision-making power. The wide range of discretion given to the Fed to promote "full employment" reflects the intellectual atmosphere of 1946, also the year in which the full employment mandate was thrust upon the Fed. In the fifty years since, the increased skepticism concerning government in general, and of discretionary monetary policy in particular, has led many economists to challenge the validity of the task assigned to the Fed. In 1996, Congress may consider removing the "full employment" mandate on the Fed, and its concomitant discretionary power, replacing it with a mandate for price stability.[7]

The downside of such a policy change is that the most important and fundamental

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power of the Fed, its monopoly over the production of currency, would remain undented. This monopoly is what ultimately enables the Fed to change the money supply as it deems appropriate and gives it the power to inflate away the value of the dollar. Binding the Fed to price stability (while arguably better than full employment) is still theoretically controversial among free-market economists and leaves intact the Federal Reserve's *power* to inflate. Challenging the Fed's monopoly over the production of currency and removing the dollar's fiat status will remain important tasks facing free-market thinkers in the next fifty years.

As we have seen from the changes in the former Soviet Union and Eastern Europe, the ruling ideas of the mid-1940s are fading from the scene, being replaced by ideas from scholars who were fortunate enough to have access to the ideas and resources of organizations like FEE who kept alive the classical liberal tradition through its darkest days. The changes that have occurred, and the minor victories that have been won, are surely not enough, and the power of the old ideas lingers on in the existing regulations and government power which shackle the creative energy of the U.S. banking system. The next fifty years hold great promise for building on the changes we have already seen and increasing the level of freedom in the U.S. banking industry. □

1. Bankers' hours were not as much of a problem at a time when most families had only one adult working full-time during the day. Housewives could do the banking during the daytime hours when banks were open. It is also true that the limited hours tended to create lines at banks, especially when drive-up windows and ATMs were not as common as today, creating additional inefficiencies.

2. Of course banks skirted these controls by offering non-monetary forms of interest such as free toasters or clock-radios when you opened a new account. The primary effect of the interest rate ceilings was to divert resources into less efficient forms of interest—an important lesson for the ongoing discussion of price controls in the health-care industry.

3. It is worth mentioning that this was not a Republican Party phenomenon. One of the co-sponsors of the airline deregulation bill was Ted Kennedy, and one of the co-sponsors of the recently enacted interstate banking bill was Don Riegle, both Democrats.

4. This is also one response to those who blame the savings and loan crisis on "deregulation." If that was the case, why were so many failures concentrated in two states, and states that severely limited the ability of their banks to diversify? If it was just "deregulation" we would expect the failures to be more widely distributed.

5. Some states immediately invited banks from any and all other states into theirs.

6. The banking bill passed in the House on September 28, 1995, included several deregulatory moves, but did not touch the CRA. Any moves toward its reform or abolition will probably have to wait until after the 1996 elections.

7. As of October 1995, a bill was pending in Congress to make such a switch. Whether it will come to the floor and get the needed votes remains unclear. Another measure of the change in the intellectual landscape is that a presidential candidate (Steve Forbes) could publically call for a return to the gold standard without threat of ridicule.

"I was introduced to FEE by my father, Carl Taylor, when I was an undergraduate student at the University of Wisconsin in Madison during the early '50s. I was a member of the varsity debate team all four years. I found the FEE materials to be the very best information available to develop my debate case each year and to supply timely and accurate rebuttal material.

This introduction was so effective that I remained a contributor and an avid learner since. In turn, I introduced my son Ty to FEE and we attended a week-long seminar together in 1988.

I was surprised and delighted when Hans Sennholz invited me to become a member of the Board of Trustees."

– Don L. Taylor
Retired President, Waukesha State Bank

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The Economic Foundations of Freedom

by Ludwig von Mises

Animals are driven by instinctive urges. They yield to the impulse which prevails at the moment and peremptorily asks for satisfaction. They are the puppets of their appetites. Man's eminence is to be seen in the fact that he chooses between alternatives. He regulates his behavior deliberatively. He can master his impulses and desires; he has the power to suppress wishes the satisfaction of which would force him to renounce the attainment of more important goals. In short: man acts; he purposively aims at ends chosen. This is what we have in mind in stating that man is a moral person, responsible for his conduct.

Freedom as a Postulate of Morality

All the teachings and precepts of ethics, whether based upon a religious creed or whether based upon a secular doctrine like that of the Stoic philosophers, presuppose this moral autonomy of the individual and therefore appeal to the individual's conscience. They presuppose that the individual is free to choose among various modes of conduct and require him to behave in compliance with definite rules, the rules of morality. Do the right things, shun the bad things.

It is obvious that the exhortations and admonishments of morality make sense only when addressing individuals who are free agents. They are vain when directed to slaves. It is useless to tell a bondsman what is morally good and what is morally bad. He is not free to determine his comportment; he is forced to obey the orders of his master. It is difficult to blame him if he prefers yielding to the commands of his master to the most cruel punishment threatening not only him but also the members of his family.

This is why freedom is not only a political postulate, but no less a postulate of every religious or secular morality.

The Struggle for Freedom

Yet for thousands of years a considerable part of mankind was either entirely or at least in many regards deprived of the faculty to choose between what is right and what is wrong. In the status society of days gone by, the freedom to act according to their own choice was, for the lower strata of society, the great majority of the population, seriously restricted by a rigid system of controls. An outspoken formulation of this principle was the statute of the Holy Roman Empire that conferred upon the princes and counts of the Reich (Empire) the power

Professor Mises (1881–1973), one of the century's pre-eminent economic thinkers, was academic adviser to the Foundation for Economic Education from 1946 until his death.

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and the right to determine the religious allegiance of their subjects.

The Orientals meekly acquiesced in this state of affairs. But the Christian peoples of Europe and their scions that settled in overseas territories never tired in their struggle for liberty. Step by step they abolished all status and caste privileges and disabilities until they finally succeeded in establishing the system that the harbingers of totalitarianism try to smear by calling it the bourgeois system.

The Supremacy of the Consumers

The economic foundation of this bourgeois system is the market economy in which the consumer is sovereign. The consumer, i.e., everybody, determines by his buying or abstention from buying what should be produced, in what quantity, and of what quality. The businessmen are forced by the instrumentality of profit and loss to obey the orders of the consumers. Only those enterprises can flourish that supply in the best possible and cheapest way those commodities and services which the buyers are most anxious to acquire. Those who fail to satisfy the public suffer losses and are finally forced to go out of business.

In the precapitalistic ages the rich were the owners of large landed estates. They or their ancestors had acquired their property as gifts—feuds or fiefs—from the sovereign who, with their aid, had conquered the country and subjugated its inhabitants. These aristocratic landowners were real lords as they did not depend on the patronage of buyers. But the rich of a capitalistic industrial society are subject to the supremacy of the market. They acquire their wealth by serving the consumers better than other people do and they forfeit their wealth when other people satisfy the wishes of the consumers better or cheaper than they do. In the free market economy the owners of capital are forced to invest it in those lines in which it best serves the public. Thus ownership of capital goods is continually shifted into the hands of those who have best

Ludwig von Mises

succeeded in serving the consumers. In the market economy private property is in this sense a public service imposing upon the owners the responsibility of employing it in the best interests of the sovereign consumers. This is what economists mean when they call the market economy a democracy in which every penny gives a right to vote.

The Political Aspects of Freedom

Representative government is the political corollary of the market economy. The same spiritual movement that created modern capitalism substituted elected officeholders for the authoritarian rule of absolute kings and hereditary aristocracies. It was this much-decried bourgeois liberalism that brought freedom of conscience, of thought, of speech, and of the press and put an end to the intolerant persecution of dissenters.

A free country is one in which every citizen is free to fashion his life according to his own plans. He is free to compete on the

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market for the most desirable jobs and on the political scene for the highest offices. He does not depend more on other people's favor than these others depend on his favor. If he wants to succeed on the market, he has to satisfy the consumers; if he wants to succeed in public affairs he has to satisfy the voters. This system has brought to the capitalistic countries of Western Europe, America, and Australia an unprecedented increase in population figures and the highest standard of living ever known in history. The much talked-about common man has at his disposal amenities of which the richest men in precapitalistic ages did not even dream. He is in a position to enjoy the spiritual and intellectual achievements of science, poetry, and art that in earlier days were accessible only to a small elite of well-to-do people. And he is free to worship as his conscience tells him.

The Socialist Misrepresentation of the Market Economy

All the facts about the operation of the capitalistic system are misrepresented and distorted by the politicians and writers who arrogated to themselves the label of liberalism, the school of thought that in the nineteenth century crushed the arbitrary rule of monarchs and aristocrats and paved the way for free trade and enterprise. As these advocates of a return to despotism see it, all the evils that plague mankind are due to sinister machinations on the part of big business. What is needed to bring about wealth and happiness for all decent people is to put the corporations under strict government control. They admit, although only obliquely, that this means the adoption of socialism, the system of the Union of Soviet Socialist Republics. But they protest that socialism will be something entirely different in the countries of Western civilization from what it is in Russia. And anyway, they say, there is no other method to deprive the mammoth corporations of the enormous power they have acquired and to prevent them from further damaging the interests of the people.

Against all this fanatical propaganda there is need to emphasize again and again the truth that it is big business that brought about the unprecedented improvement of the masses' standard of living. Luxury goods for a comparatively small number of well-to-do can be produced by small-size enterprises. But the fundamental principle of capitalism is to produce for the satisfaction of the wants of the many. The same people who are employed by the big corporations are the main consumers of the goods turned out. If you look around in the household of an average American wage-earner, you will see for whom the wheels of the machines are turning. It is big business that makes all the achievements of modern technology accessible to the common man. Everybody is benefited by the high productivity of big-scale production.

It is silly to speak of the "power" of big business. The very mark of capitalism is that supreme power in all economic matters is vested in the consumers. All big enterprises grew from modest beginnings into bigness because the patronage of the consumers made them grow. It would be impossible for small or medium-size firms to turn out those products which no present-day American would like to do without. The bigger a corporation is, the more does it depend on the consumers' readiness to buy its wares. It was the wishes—or, as some say, the folly—of the consumers that drove the automobile industry into the production of ever bigger cars and force it today to manufacture smaller cars. Chain stores and department stores are under the necessity to adjust their operations daily anew to the satisfaction of the changing wants of their customers. The fundamental law of the market is: the customer is always right.

A man who criticizes the conduct of business affairs and pretends to know better methods for the provision of the consumers is just an idle babbler. If he thinks that his own designs are better, why does he not try them himself? There are in this country always capitalists in search of a profitable investment of their funds who are ready to provide the capital required for any reason-

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able innovations. The public is always eager to buy what is better or cheaper, or better and cheaper. What counts in the market is not fantastic reveries, but doing. It was not talking that made the "tycoons" rich, but service to the customers.

Capital Accumulation Benefits All of the People

It is fashionable nowadays to pass over in silence the fact that all economic betterment depends on saving and the accumulation of capital. None of the marvelous achievements of science and technology could have been practically utilized if the capital required had not previously been made available. What prevents the economically backward nations from taking full advantage of all the Western methods of production, and thereby keeps their masses poor, is not unfamiliarity with the teachings of technology but the insufficiency of their capital. One badly misjudges the problems facing the underdeveloped countries if one asserts that what they lack is technical knowledge, the "know-how." Their businessmen and their engineers, most of them graduates of the best schools of Europe and America, are well acquainted with the state of contemporary applied science. What ties their hands is a shortage of capital.

A hundred years ago America was even poorer than these backward nations. What made the United States become the most affluent country of the world was the fact that the "rugged individualism" of the years before the New Deal did not place too serious obstacles in the way of enterprising men. Businessmen became rich because they consumed only a small part of their profits and plowed the much greater part back into their businesses. Thus they enriched themselves and all of the people. For it was this accumulation of capital that raised the marginal productivity of labor and thereby wage rates.

Under capitalism the acquisitiveness of the individual businessman benefits not only himself but also all other people. There is a reciprocal relation between his acquiring wealth by serving the consumers and accumulating capital and the improvement of the standard of living of the wage-earners who form the majority of the consumers. The masses are in their capacity both as wage-earners and as consumers interested in the flowering of business. This is what the old liberals had in mind when they declared that in the market economy there prevails a harmony of the true interests of all groups of the population.

It is in the moral and mental atmosphere of this capitalistic system that the American citizen lives and works. There are still in some parts of the United States conditions left which appear highly unsatisfactory to the prosperous inhabitants of the advanced districts which form the greater part of the country. But the rapid progress of industrialization would have long since wiped out these pockets of backwardness if the unfortunate policies of the New Deal had not slowed down the accumulation of capital, the irreplaceable tool of economic betterment. Used to the conditions of a capitalistic environment, the average American takes it for granted that every year business makes something new and better accessible to him. Looking backward upon the years of his own life, he realizes that many implements that were totally unknown in the days of his youth and many others which at that time could be enjoyed only by a small minority are now standard equipment of almost every household. He is fully confident that this trend will prevail also in the future. He simply calls it the "American way of life" and does not give serious thought to the question of what made this continuous improvement in the supply of material goods possible. He is not earnestly disturbed by the operation of factors that are bound not only to stop further accumulation of capital but may very soon bring about capital decumulation. He does not oppose the forces that—by frivolously increasing public expenditure, by cutting down capital accumulation, and even making for consumption of parts of the capital invested in business, and, finally, by inflation—are sapping the

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very foundations of his material well-being. He is not concerned about the growth of statism that wherever it has been tried resulted in producing and preserving conditions which in his eyes are shockingly wretched.

No Personal Freedom Without Economic Freedom

Unfortunately many of our contemporaries fail to realize what a radical change in the moral conditions of man, the rise of statism, the substitution of government omnipotence for the market economy, is bound to bring about. They are deluded by the idea that there prevails a clear-cut dualism in the affairs of man, that there is on the one side a sphere of economic activities and on the other side a field of activities that are considered as noneconomic. Between these two fields there is, they think, no close connection. The freedom that socialism abolishes is "only" the economic freedom, while freedom in all other matters remains unimpaired.

However, these two spheres are not independent of each other as this doctrine assumes. Human beings do not float in ethereal regions. Everything that a man does must necessarily in some way or other affect the economic or material sphere and requires his power to interfere with this sphere. In order to subsist, he must toil and have the opportunity to deal with some material tangible goods.

The confusion manifests itself in the popular idea that what is going on in the market refers merely to the economic side of human life and action. But in fact the prices of the market reflect not only "material concerns"—like getting food, shelter, and other amenities—but no less those concerns which are commonly called spiritual or higher or nobler. The observance or nonobservance of religious commandments—to abstain from certain activities altogether or on specific days, to assist those in need, to build and to maintain houses of worship, and many others—is one of the factors that determines the supply of, and the demand for, various consumers' goods and thereby prices and the conduct of business. The freedom that the market economy grants to the individual is not merely "economic" as distinguished from some other kind of freedom. It implies the freedom to determine also all those issues which are considered as moral, spiritual, and intellectual.

The simple truth is that individuals can be free to choose between what they consider as right or wrong only where they are economically independent of the government.

What makes many people blind to the essential features of any totalitarian system is the illusion that this system will be operated precisely in the way which they themselves consider as desirable. In supporting socialism, they take it for granted that the "state" will always do what they themselves want it to do. □

"Patiently, systematically, and intelligently, FEE has worked for economic literacy, changing the minds of academics, statesmen, and clerics such as myself. The philosophy of freedom, so ably articulated by FEE for fifty magnificent years, will change the world."

— Father Robert A. Sirico
President, The Acton Institute for the Study of Religion and Liberty

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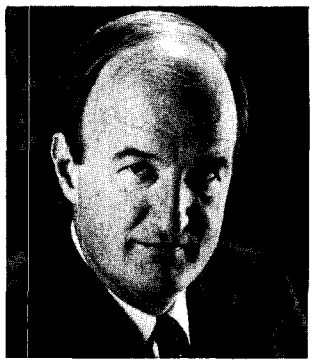

One Graph Says It All

"But the free market is not primarily a device to procure growth. It is a device to secure the most efficient use of resources."

—Henry C. Wallich[1]

In celebrating fifty years of service by the Foundation for Economic Education, we observe one overriding lesson of history: Freedom is, on balance, a great blessing to all mankind.

Now, this may seem to be obvious; today we all nod our heads in agreement with this conclusion. But not everyone concurred during the post-war era. In fact, for much of the past fifty years, supporters of economic liberty were on the defensive. After World War II, laissez faire was an unwelcome phrase in the halls of government and on college campuses. Governments both here and abroad nationalized industry after industry, raised taxes, inflated the money supply, imposed price and exchange controls, created the welfare state, and engaged in all kinds of interventionist mischief. In academia, Keynesianism and Marxism became all the rage, and many free-market economists had a hard time obtaining full-time positions on college campuses.

The big-government economy was viewed by the establishment as an automatic stabilizer and growth stimulator. Many top economists argued that central planning, the welfare state, and industrial policy lead to higher growth rates. Incredibly, as late as 1985, Paul Samuelson (MIT) and William D. Nordhaus (Yale) still declared, "The planned Soviet economy since 1928 . . . has outpaced the long-term growth of the major market economies."[2] Mancur Olson, a Swedish economist, also stated, "In the 1950s, there was, if anything, a faint tendency for the countries with larger welfare states to grow faster."[3]

Henry C. Wallich, a Yale economics professor and recent member of the Federal Reserve Board, wrote a whole book arguing that freedom means lower economic growth, greater income inequality, and less competition. In *The Cost of Freedom,* he concluded, "The ultimate value of a free economy is not production, but freedom, and freedom comes not at a profit, but at a cost."[4] And he was considered a conservative economist!

The New Enlightenment

Fortunately, the attitudes of the establishment have gradually changed for the better. In recent years the defenders of the free market have gained ground and, since the collapse of the Berlin Wall and Soviet central planning, have claimed victory over the dark forces of Marxism and socialism. Today, governments around the world are denationalizing, privatizing, cutting taxes, controlling inflation, and engaging in all

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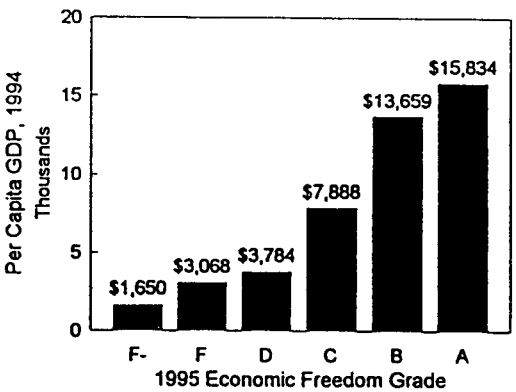
kinds of market reforms. And free-market economists can now be found in most economics departments. In fact, almost all of the most recent Nobel Prize winners in economics have been pro-free market.

Furthermore, new evidence demonstrates forcefully that economic freedom comes as a benefit, not a cost. Looking at the data of the 1980s, Mancur Olson now concludes, "it appears that the countries with larger public sectors have tended to grow more slowly than those with smaller public sectors."[5] Contrast that with his statement about the 1950s.

Now comes the *coup de grace* from a new exhaustive study by James Gwartney, economics professor at Florida State University, and two other researchers. They painstakingly constructed an index measuring the degree of economic freedom for more than 100 countries and then compared the level of economic freedom with their growth rates over the past twenty years. Their conclusion is documented in the following remarkable graph:



If ever a picture was worth a thousand words, this graph is it.

Clearly, the greater the degree of freedom, the higher the standard of living (as measured by per capita real GDP growth). Nations with the highest level of freedom (e.g., United States, New Zealand, Hong Kong) grew faster than nations with moderate degrees of freedom (e.g., United Kingdom, Canada, Germany) and even more rapidly than nations with little economic freedom (e.g., Venezuela, Iran, Congo). The authors conclude, "No country with a persistently high economic freedom rating during the two decades failed to achieve a high level of income."

What about those countries whose policies changed during the past twenty years? The authors state: "All 17 of the countries in the most improved category experienced positive growth rates. . . . In contrast, the growth rates of the countries where economic freedom declined during 1975–95 were persistently negative."[6]

If all this is true, what of the data that seemed to demonstrate a positive correlation between big government and economic growth in the 1950s and later? In the case of the Soviet Union, most economists now agree that the data were faulty and misleading. In the case of Europe, perhaps the economic incentives of rebuilding after the war overshadowed the growth of the welfare state. In other words, Europe grew in spite of, not because of, government. Once rebuilding was complete by the late 1950s, the weight of government began to be felt.

After fifty years of hard work, it is high time for FEE and the other free-market think-tanks to celebrate their untiring efforts to educate the world about the virtues of liberty. Their work is finally paying off. Let me be one of the first to say congratulations—a job well done! □

1. Henry C. Wallich, *The Cost of Freedom* (New York: Collier Books, 1960), p. 146.
2. Paul A. Samuelson and William D. Nordhaus, *Economics*, 12th ed. (New York: McGraw-Hill, 1985), p. 776.
3. Mancur Olson, *How Bright Are the Northern Lights?* (Lund University, 1990), p. 10.
4. Wallich, *The Cost of Freedom*, p. 9.
5. Olson, *How Bright Are the Northern Lights?*, p. 88.
6. James D. Gwartney, Robert A. Lawson, and Walter E. Block, *Economic Freedom of the World: 1975–1995* (Washington, D.C.: Cato Institute, 1996), p. xvii.

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THE FREEMAN
IDEAS ON LIBERTY

Rose Wilder Lane, Isabel Paterson, and Ayn Rand:

Three Women Who Inspired the Modern Libertarian Movement

by Jim Powell

Liberty was in full retreat in the early 1940s. Tyrants oppressed or threatened people on every continent. Western intellectuals whitewashed mass murderers like Joseph Stalin, and Western governments expanded their power with Soviet-style central planning. Fifty million people were killed in the war that raged in Europe, Africa, and Asia. The United States, seemingly the last hope for liberty, was drawn into it.

Established American authors who defended liberty were a dying breed. H.L. Mencken had turned away from bitter politics to write his memoirs, while others like Albert Jay Nock and Garet Garrett were mired in pessimism.

Amidst the worst of times, three bold women banished fear. They dared to declare that collectivism was evil. They stood up for natural rights, the only philosophy which provided a moral basis for opposing tyranny everywhere. They celebrated old-fashioned rugged individualism. They envisioned a future when people could again be free. They expressed a buoyant optimism which was to inspire millions.

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All were outsiders who transcended difficult beginnings. Two were immigrants. One was born in frontier territory not yet part of the United States. They struggled to earn money as writers in commercial markets dominated by ideological adversaries. All were broke at one time or another. They endured heartaches with men—one stayed in a marriage which became sterile, and two became divorced and never remarried.

These women who had such humble beginnings—Rose Wilder Lane, Isabel Paterson, and Ayn Rand—published major books during the same year, 1943: *The Discovery of Freedom*, *The God of the Machine*, and *The Fountainhead*, respectively. The women, recalled journalist John Chamberlain, "with scornful side glances at the male business community, had decided to rekindle a faith in an older American philosophy. There wasn't an economist among them. And none of them was a Ph.D." Albert Jay Nock declared that, "They make all of us male writers look like Confederate money. They don't fumble and fiddle around—every shot goes straight to the centre."

Rose Wilder Lane

Like her compatriots, Rose Wilder Lane surprised people. She once described herself by saying "I'm a plump, middle western, middle class, middle-aged woman."

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She had bad teeth, her marriage failed, she worked to support her aging parents, and at one point during the 1930s she was so financially distressed that her electricity was shut off. Yet she soared with great eloquence as she helped revive the radical principles of the American Revolution, and she inspired millions of adults and children alike as the editor of the beloved "Little House" books about individual responsibility, hard work, stubborn persistence, strong families, and human liberty.

Rose Wilder Lane was born December 5, 1886, near De Smet, Dakota Territory. Her father, Almanzo Wilder, and her mother, Laura Ingalls, were poor farmers, devastated by drought, hailstorms, and other calamities that ruined crops. For years, the family lived in a windowless cabin. They missed many meals. Their daughter, named after wild roses which bloomed on the prairie, often went barefoot.

When Lane was four, the family gave up on Dakota and moved to Mansfield, Missouri, which offered better farming prospects. She went to a four-room, red brick schoolhouse that had two shelves of books, and she discovered the wonders of Charles Dickens, Jane Austen, and Edward Gibbon. Her mainstay became the famous *Readers* compiled by Cincinnati College President William Holmes McGuffey, who imparted moral lessons as he taught the fundamentals of reading and exposed young minds to many great authors of Western civilization.

"We did not like discipline," Lane recalled, "so we suffered until we disciplined ourselves. We saw many things and many opportunities that we ardently wanted and could not pay for, so we did not get them, or got them only after stupendous, heartbreaking effort and self-denial, for debt was much harder to bear than deprivations. We were honest, not because sinful human nature wanted to be, but because the consequences of dishonesty were excessively painful. It was clear that if your word were not as good as your bond, your bond was no good and you were worthless . . . we learned that it is impossible to get something for nothing. . . ."

She quit school after the ninth grade and determined that somehow she would see the world beyond rural Missouri. She took a train to Kansas City and accepted a job as a Western Union telegraph clerk on the night shift. She spent most of her spare time reading, perhaps three hours a day. By 1908, she relocated to San Francisco for another Western Union job and romance with advertising salesman Gillette Lane. They married in March 1909. She became pregnant but had either a miscarriage or stillbirth. It became impossible for her to conceive again.

By 1915, the marriage had broken up, but through his newspaper connections Lane found her start as a journalist. For the *San Francisco Bulletin*, a radical labor paper, she began writing a women's column, then a series of daily 1,500-word personality profiles. She wrote an autobiographical novel serialized in *Sunset* magazine.

In March 1920, the Red Cross invited her to travel around Europe and report on their relief efforts, so that prospective donors—on whose support they depended—would know about the good deeds of the organization. Based in Paris, she traveled to Vienna, Berlin, Prague, Warsaw, Budapest, Rome, Sarajevo, Dubrovnik, Tirana, Trieste, Athens, Cairo, Damascus, Baghdad, and Constantinople. Lane imagined that Europe was the great hope for civilization, but instead she eluded bandits, encountered bureaucratic corruption, endured runaway inflation, witnessed civil war horrors and the darkening shadows of ruthless tyranny.

Lane visited the Soviet Union four years after the Bolsheviks seized power. Like many people, she was enchanted by the Communist vision for a better life. She met peasants whom she expected to be rapturous about Communism. But as she reported later, "My host astounded me by the force with which he said that he did not like the new government. . . . His complaint was government interference with village affairs. He protested against the growing bureaucracy that was taking more and more men from productive work. He predicted chaos and suffering from the centralizing of economic power in Mos-

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cow. . . . I came out of the Soviet Union no longer a communist, because I believed in personal freedom."

After returning to America, her career blossomed as she wrote for *The American Mercury*, *Country Gentleman*, *Good Housekeeping*, *Harper's*, *Ladies' Home Journal*, *McCall's*, and the *Saturday Evening Post*, among others. She wrote novels about pioneer life. Famed actress Helen Hayes dramatized one of Lane's novels, *Let the Hurricane Roar*, on the radio. But Lane was financially devastated during the Great Depression. In 1931, she wailed, "I am forty-five. Owe $8,000. Have in bank $502.70. . . . Nothing that I have intended has ever been realized."

In 1936, Lane wrote "Credo," an 18,000-word article on liberty for the *Saturday Evening Post*. Three years later Leonard Read, General Manager of the Los Angeles Chamber of Commerce, helped establish a little publishing firm called Pamphleteers, which reprinted Lane's article as *Give Me Liberty*.

In it, Lane explained how free competition enables civilization to flourish despite scoundrels. "I have no illusions about the pioneers," she wrote. "In general they were trouble-makers of the lower classes, and Europe was glad to be rid of them. They brought no great amount of intelligence or culture. Their principal desire was to do as they pleased. . . . [Yet] Americans today . . . are the kindest people on earth. . . . Only Americans pour wealth over the world, relieving suffering in such distant places as Armenia and Japan. . . . Such are a few of the human values that grew from individualism while individualism was creating this nation."

The Discovery of Freedom

In 1942, an editor of John Day Company asked Lane to write a book about liberty. She began work in a McAllen, Texas, trailer park, amidst a tour of the Southwest. She went through at least two drafts at her home in Danbury, Connecticut. Her book, *The Discovery of Freedom, Man's Struggle Against Authority*, was published January 1943.

While most historians focused on rulers, Lane chronicled the epic 6,000-year struggle of ordinary people, who defy rulers to raise families, produce food, build industries, engage in trade, and in countless ways improve human life. She was lyrical about the American Revolution, which helped secure liberty and unleashed phenomenal energy for human progress.

With stirring, sometimes melodramatic prose, she attacked myriad collectivist influences, including government schools and so-called "progressive" economic regulations. She ridiculed claims that bureaucrats could do better for individuals than they could do for themselves. She swept away gloom with her towering self-confidence. "Five generations of Americans have led the Revolution," she declared, "and the time is coming when Americans will set this whole world free."

Individualist Albert Jay Nock lavished praise on the book, but Lane was dissatisfied with it and refused permission to reprint it. She never got around to completing another edition. Only a thousand copies of the book were printed during her lifetime.

Nonetheless, *The Discovery of Freedom* had a big impact, circulating as an underground classic. It helped inspire the launching of several organizations to promote liberty. Among them, Leonard Read's Foundation for Economic Education, F.A. Harper's Institute for Humane Studies, and Robert M. Lefevre's Freedom School. Read retained General Motors consumer researcher Henry Grady Weaver to adapt the book as *The Mainspring of Human Progress*, and hundreds of thousands of copies have been distributed by FEE.

The Little House Books

Although *The Discovery of Freedom* was a founding document of the modern libertarian movement, Lane had perhaps a greater calling behind the scenes. In 1930, Laura Ingalls Wilder gave Lane a manuscript about her early life from Wisconsin to

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Kansas and Dakota. Lane deleted the material about Wisconsin, then went through two drafts of the rest, fleshing out the story and characters. This became a 100-page manuscript tentatively called *Pioneer Girl*, and she sent it to her literary agent, Carl Brandt. The Wisconsin material became a 20-page story, "When Grandma Was a Little Girl," a possible text for a children's picture book. One publisher suggested that the story be expanded to a 25,000-word book for younger readers.

Lane conveyed the news to her mother, and since the original manuscript had been rewritten beyond recognition, she explained, "It is your father's stories, taken out of the long PIONEER GIRL manuscript, and strung together, as you will see." Lane specified the kind of additional material needed, adding "If you find it easier to write in the first person, write that way. I will change it into the third person, later." Lane reassured her mother that the collaboration remained a family secret: "I have said nothing about having run the manuscript through my own typewriter. . . ." By May 27, 1931, the "juvenile" was done, and Lane sent it off to publishers. Harper Brothers issued it in 1932 as *Little House in the Big Woods*, and it became a beloved American story.

In January 1933, Wilder gave Lane *Farmer Boy*, a manuscript about Almanzo's childhood recollections. Publishers had rejected it, presumably because it was mainly a chronicle of farm skills. Lane spent a month turning it into a flesh-and-blood story, and Harper's bought it. The following year, Wilder gave Lane a manuscript about her life in Kansas, and she spent five weeks rewriting it into *Little House on the Prairie*.

The books began generating significant income for the Wilders, a relief to Lane whose aim was to help provide their financial security. Wilder expanded part of *Pioneer Girl* into another manuscript and gave it to Lane in the summer of 1936. "I have written you the whys of the story as I wrote it," Wilder explained. "But you know your judgement is better than mine, so what you decide is the one that stands." Lane spent two months rewriting it and drafted a letter for their literary agent, asking for better terms. This manuscript became *On the Banks of Plum Creek*. Lane spent most of 1939 rewriting the manuscript for *By the Shores of Silver Lake*; in 1940, *The Long Winter*; in 1941, *Little Town on the Prairie*; and in 1942, *These Happy Golden Years*.

Throughout the later books especially, Lane portrayed young Laura Ingalls Wilder as a libertarian heroine. For example, in *Little Town on the Prairie*, she described her mother's thoughts this way: "Americans are free. That means they have to obey their own consciences. No king bosses Pa; he has to boss himself. Why (she thought), when I am a little older, Pa and Ma will stop telling me what to do, and there isn't anyone else who has a right to give me orders. I will have to make myself be good."

In 1974, NBC began adapting the books for *Little House on the Prairie*, a hugely popular television series which ran nine years and resulted in more than 200 programs. Then came a syndication agreement assuring that they will be run again and again for at least the next quarter-century. Michael Landon wrote and directed many shows, and starred as Laura's father, Charles Ingalls.

Lane's last blast was a book about American needlework, which she turned into a hymn for liberty. "American needlework tells you," she continued, "that Americans live in the only classless society. This republic is the only country that has no peasant needlework. . . . American women . . . discarded backgrounds, they discarded borders and frames. They made the details create the whole, and they set each detail in boundless space, alone, independent, complete."

Isabel Paterson

Lane knew but wasn't close to the bold, hot-tempered, sometimes tactless journalist Isabel Bowler Paterson. According to scholar Stephen Cox, she was "a slight woman, 5'3"

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tall, very nearsighted, a lover of pretty and slightly eccentric clothes, fond of delicate foods, a light drinker, a devotee of nature who could spend all day watching a tree grow . . ."

Paterson held stubbornly to her views and told all who would listen what she thought about an issue. Dominating conversations tended to limit her social life, especially as she became a dissident against New Deal government intervention, but she did have some stalwart friends. One remarked that "if people can stand her at all, they eventually become very fond of her."

Paterson wrote novels and some 1,200 newspaper columns, but it was *The God of the Machine* which secured her immortality in the annals of liberty. It mounted a powerful attack on collectivism and explained the extraordinary dynamics of free markets.

She was born January 22, 1886, on Manitoulin Island, Ontario. Her parents, Francis and Margaret Bowler, were poor farmers who moved to Michigan, then Utah and Alberta in search of better luck. Paterson made soap, tended livestock, and spent just two years in school. But she read books at home, including the Bible, some Shakespeare, and novels by Charles Dickens and Alexander Dumas.

When she was about 18 years old, Paterson went off on her own. She worked as a waitress, bookkeeper, and stenographer, earning $20 a month. She was proud to be independent. "Listen, my girl," she told a journalist, "your paycheck is your mother and your father; in other words, respect it."

At 24, in 1910, she married Kenneth Birrell Paterson, but the relationship soured, and within a few years they went their separate ways. She seldom talked about him again. She was more determined than ever to maintain her independence.

She had done a little writing on the side to relieve boredom, and after she became a secretary to a Spokane, Washington, newspaper publisher, she did more. She began writing his editorials. She wrote drama criticism for two Vancouver newspapers. Next, fiction—her novel *The Shadow Riders* was published in 1916, and *The Magpie's Nest*, the following year. Both were about young women struggling to achieve independence. Although Canada had become a protectionist nation, Paterson made clear in *The Shadow Riders* that she was a free trader.

Paterson moved East following World War I and started reading her way through much of the New York Public Library. In 1922, she persuaded *New York Tribune* literary editor Burton Rascoe to give her a job, even though he didn't like her. "She said bluntly that she wanted the job," he recalled. "I told her my budget would not allow me to pay what she was worth. She said she would work for whatever I was prepared to pay. I said the pay was forty dollars a week. She said, 'I'll work for that.'"

In 1924, she started writing a weekly column on books, and it became an influential forum for the next quarter-century. She used books as a point of departure to talk about practically anything. Many columns affirmed her commitment to American individualism. She attacked collectivist societies based on status and defended dynamic capitalism. She denounced Herbert Hoover's interventionism and Franklin Roosevelt's New Deal.

The God of the Machine

Many columns explored themes which became the basis for *The God of the Machine*, published by Putnam's in May 1943. Paterson attacked fascism, Nazism, and Communism as varieties of the same evil, collectivism. She reserved some of her most eloquent blasts for Stalin, who charmed so many intellectuals. Anyone who imagines that socialist horrors were exposed recently will be shocked to see how clearly Paterson understood why collectivism always means stagnation, backwardness, corruption, and slavery.

There's much more in this tremendous book. Paterson provided a grand overview of the history of liberty. She made clear why personal freedom is impossible without political freedom. She defended immigrants. She denounced military conscription, central economic planning, compulsory union-

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ism, business subsidies, paper money, and compulsory government schools. Long before most economists, she explained how New Deal policies prolonged the Great Depression.

Paterson celebrated private entrepreneurs, who are the primary source of human progress. For instance: "Everything that was the creation of private enterprise in the railways gave satisfaction. Private enterprise mined, smelted, and forged the iron, invented the steam engine, devised surveying instruments, produced and accumulated the capital, organized the effort. In the building and operation of the railways, whatever lay in the realm of private enterprise was done with competence. . . . What people hated was the monopoly. The monopoly, and nothing else, was the political contribution."

By 1949, Paterson's libertarian views became too much for editors of the *New York Herald Tribune*, and she was fired. Nonetheless, she expressed her gratitude, saying they probably published more of her work than would have been tolerated anywhere else. They gave her a small pension, and she got along by investing her savings in real estate. She refused Social Security, returning her card in an envelope marked "Social Security Swindle."

Meanwhile, she had become a focal point for the fledgling libertarian movement. For example, after Leonard Read founded the Foundation for Economic Education, she introduced him to influential journalist John Chamberlain, whom she had helped convert into a libertarian, and a decades-long collaboration blossomed.

Back during the early 1940s, Paterson served as a mentor for Russian-born Ayn Rand who, 19 years younger, joined her weekly when she proofread typeset pages of her *Herald Tribune* book reviews. She introduced Rand to many books and ideas about history, economics, and political philosophy, helping Rand develop a more sophisticated world view. When Rand's novel *The Fountainhead* was published, Paterson promoted it in a number of *Herald Tribune* columns. Rand's books went on to surpass Paterson's—and just about everyone else's for that matter—selling some 20 million copies.

Ayn Rand

Rand had a striking presence. As biographer Barbara Branden described Rand upon her arrival in America at age 21: "Framed by its short, straight hair, its squarish shape stressed by a firmly set jaw, its sensual wide mouth held in tight restraint, its huge dark eyes black with intensity, it seemed the face of a martyr or an inquisitor or a saint. The eyes burned with a passion that was at once emotional and intellectual—as if they would sear the onlooker and leave their dark light a flame on his body." Later in life, chain smoking and sedentary habits took their toll, but Rand was still unforgettable, as book editor Hiram Haydn recalled: "A short, squarish woman, with black hair cut in bangs and a Dutch bob. . . . Her eyes were as black as her hair, and piercing."

Rand was born Alissa Rosenbaum on February 2, 1905, in St. Petersburg. Her father Fronz Rosenbaum had risen from poverty to the middle class as a chemist. Her mother Anna was an extrovert who believed in vigorous exercise and thrived on a busy social life. Alissa wanted nothing to do with either exercise or parties.

She was precocious. After school, she studied French and German at home. Inspired by a magazine serial, she began writing stories, and at nine years old she resolved to become a writer.

The Rosenbaums' comfortable world ended when the Czar entered World War I, which devastated the nation's economy. Within a year, more than a million Russians were killed or wounded. The government went broke. People were hungry. The Bolsheviks exploited the chaos and seized power in 1918.

The Russian Revolution spurred young Alissa to invent stories about heroic individuals battling kings or Communist dictators. At this time, too, she discovered novelist Victor Hugo whose dramatic style and

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towering heroes captivated her imagination. "I was fascinated by Hugo's sense of life," she recalled. "It was someone writing something important. I felt this is the kind of writer I would like to be, but I didn't know how long it would take."

At the University of Petrograd, she took courses with the stern Aristotelian Nicholas Lossky who, scholar Chris Sciabarra showed, had an enormous impact on her thinking. She read plays by Johann Christoph Friedrich von Schiller (she loved him) and William Shakespeare (hated him), philosophy by Friedrich Nietzsche (provocative thinker), and novels by Feodor Dostoevsky (good plotter). She was utterly captivated to see some foreign movies. She had her first big crush, on a man named Leo who risked his life to hide members of the anti-Bolshevik underground.

In 1925, the Rosenbaums received a letter from relatives who had emigrated to Chicago more than three decades earlier to escape Russian anti-Semitism. Alissa expressed a burning desire to see America. The relatives agreed to pay her passage and be financially responsible for her. Miraculously, Soviet officials granted her a passport for a six months' visit. On February 10, 1926, she boarded the ship *De Grasse* and arrived in New York with $50.

She soon joined her relatives in a cramped Chicago apartment. She saw a lot of movies and worked at her typewriter—usually starting around midnight, which made it difficult for others to sleep. During this period, she settled on a new first name for herself: Ayn, after a Finnish writer she had never read, but she liked the sound. And a new last name: Rand, after her Remington Rand typewriter. Biographer Branden says Rand might have adopted a new name to protect her family from possible recrimination by the Soviet regime.

Determined to become a movie script writer, she moved to Los Angeles. Through her Chicago relatives, she persuaded a movie distributor to write a letter introducing her to someone in the publicity department of the glamorous Cecil B. DeMille Studio. She met the great man himself while entering his studio, and he took her to the set of his current production. She started work as an extra for $7.50 a day.

At DeMille's studio, Rand fell in love with a tall, handsome, blue-eyed bit actor named Frank O'Connor. They were married April 15, 1929, before her visa expired. She no longer had to worry about returning to the Soviet Union. Two months later, she applied for American citizenship.

The DeMille Studio closed, and she found odd jobs such as a freelance script reader. In 1935 she had a taste of success when she earned as much as $1,200 a week from her play *Night of January 16th*, which ran 283 performances on Broadway. It was about a ruthless industrialist and the powerful woman on trial for his murder.

We the Living

Rand spent four years writing her first novel, *We the Living*, about the struggle to find freedom in Soviet Russia. Kira Argounova, the desperate heroine, became the mistress of a party boss so she could raise money for her lover suffering from tuberculosis. Rand finished the book in late 1933. After many rejections, Macmillan agreed to take it and pay a $250 advance. The company published 3,000 copies in March 1936, but the book didn't sell. Although word-of-mouth gave it a lift after about a year, Macmillan had destroyed the type, and *We the Living* went out of print. Rand had earned just $100 of royalties.

In 1937, while struggling to develop the plot of *The Fountainhead*, Rand wrote a short, lyrical futurist story about an individual versus collectivist tyranny—*Anthem*. Rand's literary agent sold it to a British publisher but couldn't find a taker in the American market. About seven years later, Los Angeles Chamber of Commerce General Manager Leonard Read visited Rand and O'Connor—then living in New York—and remarked that somebody ought to write a book defending individualism. Rand told him about *Anthem*. Read borrowed her copy, read it, and his small publishing firm Pamphleteers made it available in the

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United States. It has sold some 2.5 million copies.

The Fountainhead

Rand finished plotting *The Fountainhead* in 1938 after nearly four years of work. Then came the writing. Her hero, architect Howard Roark, expressed her vision of an ideal man. He battled collectivists all around him to defend the integrity of his ideas, even when it meant dynamiting a building because plans were altered in violation of his contract.

Selling the book proved tough. Rand's editor at Macmillan expressed interest and offered another $250 advance, but she insisted the company agree to spend at least $1,200 on publicity, so Macmillan bowed out. By 1940, a dozen publishers had seen finished chapters and rejected the book. One influential editor declared the book would never sell. Rand's literary agent turned against it. Her savings were down to about $700.

Rand suggested that the partial manuscript be submitted to Bobbs-Merrill, an Indianapolis-based publisher which had issued *The Red Decade* by anti-Communist journalist Eugene Lyons. Bobbs-Merrill's Indianapolis editors rejected *The Fountainhead*, but the company's New York editor Archibald Ogden loved it and threatened to quit if they didn't take it. They signed a contract in December 1941, paying Rand a $1,000 advance. With two-thirds of the book yet to be written, Rand focused on making her January 1, 1943, deadline for completion. She found herself in a friendly race with Isabel Paterson, then working to finish *The God of the Machine*.

Rand made her deadline, and *The Fountainhead* was published in May 1943, the same month as *The God of the Machine*, about nine years after the book was just a dream. *The Fountainhead* generated many more reviews than *We the Living*, but most reviewers either denounced it or misrepresented it as a book about architecture. For a while, Bobbs-Merrill's initial print run of 7,500 copies moved slowly. Word-of-mouth stirred a groundswell of interest, and the publisher ordered a succession of reprintings which were small, in part, because of wartime paper shortages. The book gained momentum and hit the bestseller lists. Two years after publication, it sold 100,000 copies. By 1948, it had sold 400,000 copies. Then came the New American Library paperback edition, and *The Fountainhead* went on to sell over 6 million copies.

The day Warner Brothers agreed to pay Rand $50,000 for movie rights to *The Fountainhead*, she and O'Connor splurged and each had a 65-cent dinner at their local cafeteria. Rand fought to preserve the integrity of the script and was largely successful, though some of her most cherished lines were cut. The movie, starring Gary Cooper, Patricia Neal, and Raymond Massey, premiered July 1949. It propelled the book onto the bestseller lists again.

Sometime earlier, when the hardcover edition had just come out, Rand told Isabel Paterson how disappointed she was with its reception. Paterson urged her to write a nonfiction book and added that Rand had a *duty* to make her views more widely known. Rand rebelled at the suggestion that she owed people anything. "What if I went on strike?" she asked. "What if *all* the creative minds of the world went on strike?" This became the idea for her last major work, tentatively called *The Strike*.

Atlas Shrugged

As Rand worked on the book for some 14 years, everything about it became larger than life. The book featured her most famous hero, mysterious John Galt, the physicist-inventor who organized a strike of the most productive people against taxers and other exploiters. The book introduced Dagney Taggart, Rand's first ideal woman, who found her match in Galt. Key characters delivered long speeches presenting Rand's philosophical views on liberty, money, and sex—the book often seems more like a polemic for individualism and capitalism. A friend suggested that the tentative title would make many people think the book

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was about labor unions, and she abandoned it. O'Connor urged her to use one of the chapter headings as the book title, and it became *Atlas Shrugged*.

Rand's ideas were as controversial as ever, but sales of *The Fountainhead* impressed publishers, and several big ones courted her for *Atlas Shrugged*. Random House co-owner Bennett Cerf was most supportive, and Rand got a $50,000 advance against a 15 percent royalty, a first printing of at least 75,000 copies, and a $25,000 advertising budget. The book was published October 10, 1957.

Most reviewers were savage. The old-line socialist Granville Hicks was a vocal critic in the *New York Times*, and others were similarly offended by Rand's attacks on collectivism. The most hysterical review of all turned out to be in conservative *National Review* where Whittaker Chambers, presumably offended by her critique of religion, likened Rand to a Nazi "commanding: 'To a gas chamber—go!'" Word-of-mouth proved too strong for these naysayers, and sales began to climb, eventually past 4.5 million copies.

With *Atlas Shrugged*, Rand had fulfilled her dreams, and she became depressed. She was exhausted. She no longer had a giant project to focus her prodigious energies. She leaned increasingly on her Canadian-born intellectual disciple Nathaniel Branden with whom she had become intimate. To serve the growing interest in Rand and help revive her spirits, he established the Nathaniel Branden Institute, which offered seminars, marketed taped lectures, and began issuing publications. Rand wrote articles about her brand of libertarian philosophy, which she called Objectivism. Branden, 25 years younger than Rand, was sometimes an abrasive taskmaster, but he displayed remarkable skills promoting the ideals of individualism and capitalism. Good times continued until August 23, 1968, when he told Rand about his affair with another woman. Rand denounced him publicly, and they split, although the reasons weren't fully disclosed until Branden's ex-wife Barbara's biography was published 18 years later. Branden later became a bestselling author about self-esteem.

During the past half century, no single individual did more than Ayn Rand to win converts for liberty. Her books sell a reported 300,000 copies year after year without being advertised by publishers or assigned by college professors. Indeed, her works have been trashed by most intellectuals. Her enduring appeal is an amazing phenomenon.

Curiously, despite the enormous influence of Rand's books, they have had limited impact outside the English-speaking world. The most successful has been *The Fountainhead*, with editions in French, German, Norwegian, Swedish, and Russian. *We the Living* is available in French, German, Greek, Italian, and Russian editions, but a fifth as many copies are sold. The only overseas edition of *Atlas Shrugged* is in German—incredibly, it was never published in England. *Anthem* still hasn't appeared in a translation, although French and Swedish editions are underway. Confirmation, perhaps, that America remains the world's hotbed of rugged individualism.

The Final Years

Rand, Paterson, and Lane saw little of each other over the years. Rand and Paterson, both prickly pears, had a bitter split during the 1940s; after publication of *Atlas Shrugged*, Paterson attempted a reconciliation without success. Paterson's friendship with Lane apparently had ended in some kind of intellectual dispute. Suffering gout and other infirmities, Paterson moved in with two of her remaining friends, Ted and Muriel Hall in Montclair, New Jersey. There she died on January 10, 1961, at age 74. She was buried in an unmarked grave.

Rand and Lane had already split over religion. Although Lane remained active throughout her life—*Woman's Day* sent her to Vietnam as their correspondent in 1965—she cherished country living at her Danbury, Connecticut, home. On November 29, 1966, she baked several days' worth of bread and

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went upstairs to sleep. She never awoke. She was 79. Her close friend and literary heir, Roger MacBride, brought her ashes to Mansfield, Missouri, and had them buried next to her mother and father. MacBride had her simple gravestone engraved with some words by Thomas Paine: "An army of principles will penetrate where an army of soldiers cannot. Neither the Channel nor the Rhine will arrest its progress. It will march on the horizon of the world and it will conquer."

Rand had quarreled with many friends and led a reclusive life during her last years. She endured surgery for lung cancer. She kept more to herself after Frank O'Connor's death in November 1979, oblivious to how her ideas inspired millions. Two years later, she enjoyed one heartening view, though; entrepreneur James Blanchard had a private train take her from New York to New Orleans where 4,000 people cheered her resounding defense of liberty.

Rand's heart began to fail in December 1981. She hung on for three more months, asking her closest associate, Leonard Peikoff, to finish several projects. She died in her 120 East 34th Street, Manhattan apartment on March 6, 1982. She was buried next to O'Connor in Valhalla, New York, as some 200 mourners tossed flowers on her coffin. She was 77.

With their acknowledged eccentricities, Rand, Paterson, and Lane were miracles. They came out of nowhere to courageously challenge a corrupt, collectivist world. They single-mindedly seized the high ground. They affirmed the moral imperative for liberty. They showed that all things are possible. □

"When I was thirteen years of age, I became interested in the freedom philosophy. I do not recall just how or from whom I received it, but a little postcard with FEE's address and an invitation to subscribe to The Freeman *came into my possession. I sent off the card and received shortly thereafter what would come to be one of the most important influences in my life:* The Freeman *and the FEE Book Catalogue, the latter of which consumed much of my earnings for some time.*

From The Freeman *I learned every month about personal liberty, about the history of the market, about the relationship between property and liberty, and about the role of freedom in the development of personality and moral character.*

In the late 1980s I spent a great deal of time and much energy spreading the freedom philosophy in the Communist countries of central and eastern Europe, and I always felt that Leonard Read, Henry Hazlitt, Ludwig von Mises, and the many other stalwarts of FEE were there with me, as I lugged suitcases full of illegal books or donated photocopiers into Prague or Moscow or Bucharest. The suitcases and cartons seemed lighter with the spirits of such heroes to help me lift them."

— Tom G. Palmer
Associate Vice President, Institute for Humane Studies

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THE FREEMAN
IDEAS ON LIBERTY

Onward Still

by Hans F. Sennholz

When Leonard Read was laboring to launch the Foundation for Economic Education in early 1946, the American people were engaged in the giant task of converting from wartime to peacetime production. There were shortages of meat, sugar, and cereal products despite record-breaking crops. More than one million workers were out on strike in such essential industries as steel, motors, electrical equipment, and communications. Congress and the media were debating the wisdom of price and wage controls, which had affected almost every aspect of economic life since the spring of 1942. The Truman Administration not only was unable to cope with the vital problems of labor unrest, soaring prices, black markets, and shortages, but, according to some economists, was actually causing them. By the end of the year, it was so discredited that the people rose on election day and turned the Democrats out of both houses of Congress where they had ruled supreme since Franklin D. Roosevelt's first election.

Much more needed to be done than just change the political guard. Public opinion, that indicator of the political, social, and economic climate, which caused the people to cast their votes and the legislators to enact the contentious laws and regulations, needed to be changed. Most economists whose names attracted attention were concerned with macroeconomic schemes for a centrally managed economy. Among these were the Keynesian professors such as Paul Samuelson and W. Fellner as well as the devout Marxians Oskar Lange, L. R. Klein, and P. M. Sweezy. Many younger economists were doing government work in the numerous offices of the federal government. The War Production Board, Office of Price Administration, and other government agencies were swarming with economists charting the course of "reconstruction."

Many Americans had come to accept the philosophical premises of the New Deal, differing only on the team of politicians who could carry out economic intervention most efficiently and effectively. They were convinced that the old economic order of unhampered competition and individual enterprise no longer served the interests of the working people, that greedy entrepreneurs and capitalists were abusing and exploiting them, and that legislators and regulators should be called upon to head off such evils.

Leonard Read saw the great issues of his time in a different light. His ideological mentors were William Graham Sumner and T. N. Carver, his favorite authors J. B. Clark, C. J. Bullock, and F. W. Taussig. From the day Leonard settled in Irvington, Henry Hazlitt and Ludwig von Mises were his staunch allies and steady companions. Together they set out to awaken public interest in sound economics and rekindle the freedom philosophy. The task was momentous and urgent. "A new generation, one which has never experienced economic liberty, is taking over," they wrote. "Young men who have become accustomed to being regimented and restricted are coming into positions of responsibility in business. The job of economic education must be undertaken now while those who appreciate the value of liberty are still in position to support it." To undertake this giant task, they molded the Foundation for Economic Education ("FEE").

A 1946 *Outline of Proposed Activities and Reasons Therefor* expounded five basic principles of education which were to become FEE's guiding principles.

1. "The Foundation shall confine itself to the field of ideas. It shall not disparage or support particular persons or political

Dr. Sennholz is president of the Foundation for Economic Education.

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parties. Its purpose shall be a program of economic education rather than political campaigning. It shall content itself with presenting its findings for whatever use citizens want to make of them."

2. Education cannot be imposed. Unless economic enlightenment is wanted and sought it falls on barren ears. FEE must create a desire for economic understanding and then serve the desire thus created.

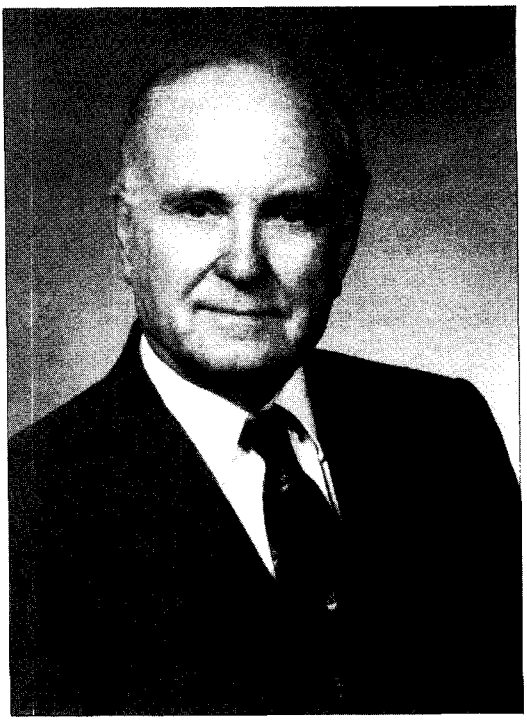
3. FEE will conduct an "integrated program of production, promotion, and distribution," engaging scholars and specialists now working in isolation and calling on others to assist FEE from the outside.

4. Since the intellectual leaders of tomorrow cannot be known today, the only way to reach all possible leaders is by "creating opportunity for the enlightenment of all."

5. There is an intellectual hierarchy among scholars. The thought leaders from all walks of life must reach out to those who write, expand, and explain to yet larger groups until "almost any literate person can understand and appreciate" the importance of economic knowledge.

Freedom education not only imparts knowledge of economic theories and principles but also aims to develop a sense of right, self-reliance, and responsibility. It needs writers and teachers who can explain the meaning and beauty of liberty, who impart knowledge and teach by example. Leonard Read, therefore, surrounded himself with men and women of excellence, seekers of knowledge and students of liberty such as V. Orval Watts, Frank Chodorov, F. A. Harper, George C. Roche III, The Reverend Edmund A. Opitz, and others. He invited famous professors such as Fred Rogers Fairchild of Yale University, J. Hugh Jackson of Stanford University, and Leo Wolman of Columbia University to join him on the board of trustees. This they did as a gesture of endorsement of a great task and noble endeavor to which they gladly contributed some of their time and effort.

The Foundation helped to revive and guide the intellectual opposition to the ideological mainstream. It refused to be fashionable but, instead, stood for what it believed



Hans F. Sennholz, President of FEE

to be right. In time, FEE was to become a "home" for the friends of freedom everywhere, a bright beacon of hope inspiring the creation of numerous similar organizations at home and abroad. After ten years on Leonard's senior staff, F. A. Harper left FEE to found the Institute for Humane Studies on the west coast. Ken Ryker created the Freedom Center in Fort Worth, Texas, and Ralph Smeed The Center for Market Alternatives, in Boise, Idaho. In other countries, Antony Fisher and his friends founded the Institute for Economic Affairs in London; Alberto Benegas Lynch established the Centro de Estudios sobre la Libertad in Buenos Aires; Manuel F. Ayau built a new university, Universidad Francisco Marroquín in Guatemala City; Gustavo Velasco and Agustin Navarro created the Instituto de Investigaciones Sociales y Económicas in Mexico City, and Nicomedes Zuloaga forged the Instituto Venezolano de Análisis Económico y Social in Caracas. To all, FEE pointed the way and instilled new hope for the future of freedom.

Hope ever tells us that tomorrow will

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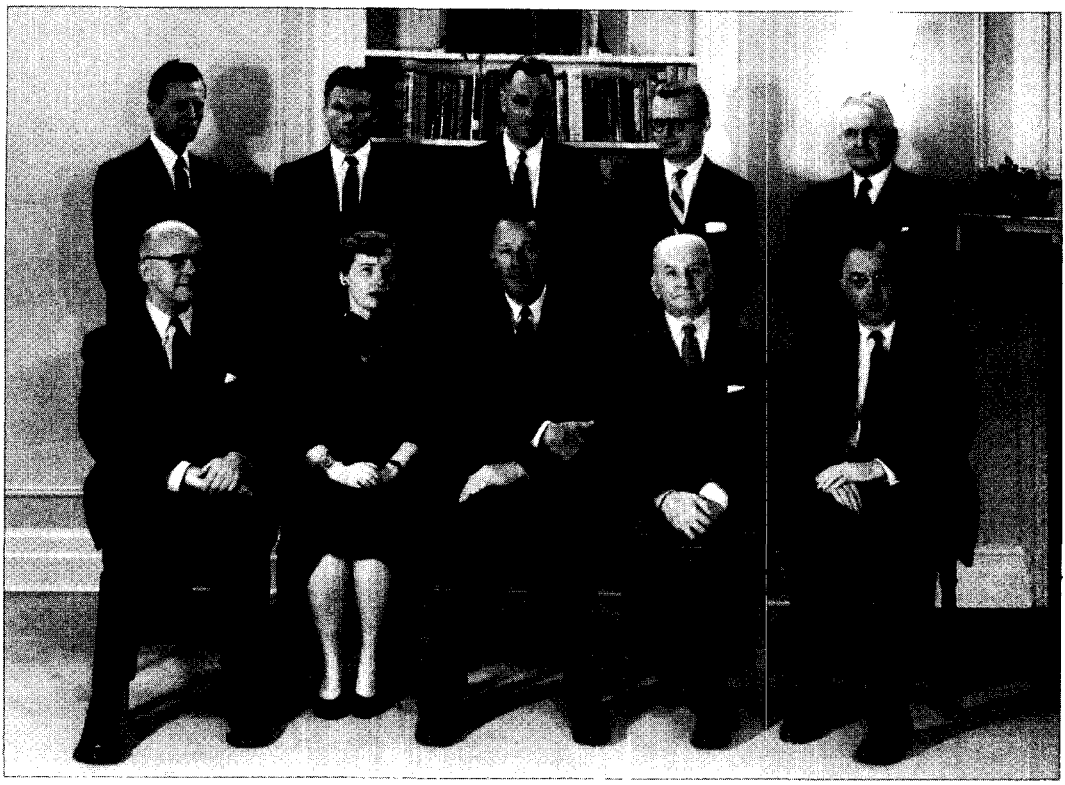

FEE senior staff and associates, 1955 — first row (left to right): W.M. Curtiss, Bettina Bien (now Greaves), Leonard Read, Ludwig von Mises, F.A. Harper; second row: Paul L. Poirot, Edmund Opitz, Ivan Bierly, Charles Hull Wolfe, Thomas Shelly.

be better. All things change, and we must change with them. Half a century has passed since the doors of FEE first opened. That which stood in front of the founders is behind us, and that which they could not foresee is before us. The "Evil Empire" has disintegrated and the overall political and economic climate of the world has improved dramatically. The old conditions of superpower confrontation and constant danger of nuclear devastation may have given way to amicable negotiations and discussions. The Soviet empire in all its forms and colors, which had degenerated to a backward collectivistic prison, was weighed in the balance and found wanting. All over the world the political and economic gates have opened, permitting individual freedom to advance. But they may close again if the opening is misunderstood and misinterpreted. Only the philosophy of individual freedom and the property order can keep them open.

Socialistic countries have collapsed because the system itself is chaotic, unnatural, and inhuman; but the doctrines and values of socialism are very much alive in all parts of the world. They live on in the minds of many Americans under the labels of "social market economy," "moderate" Democratism or Republicanism, "middle-of-the-road," or just "welfarism," and merely proceed more slowly to the same destination: economic poverty and social disintegration.

Socialism and welfarism are cousins of the same family having many features in common. Both are guided by messianic objectives such as "social justice" or "social security" to which all individual concerns are held captive. In the name of "social justice" both enslave their people—one by barbed-wire fences, and the other by tax collectors who force their victims to spend half their working lives laboring for "the will of the people." Both resort to legislation and regulation to arrange and settle all things. Both politicize economic activity

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The staff of FEE, February 1996—first row (left to right): Bettina Bien Greaves, Beth Hoffman, Mary Sennholz, Hans Sennholz, Felix Livingston, Barbara Dodsworth; second row: William Watkins, Harriet Bender, Kyle Swan, Renate Oechsner, Michael Darcy, Kathleen Walsh, Gregory Pavlik, Janette Brown, Marion Sheehan, Mary Ann Murphy, Helen Dalzell.

and collectivize many manifestations of social life. Both substitute public law for contract law, passing hundreds of public laws in every session of the legislature and imposing countless new regulations every year. Both make a mockery of property rights. One confiscates means of production and allocates income, while the other forcibly redistributes income from the means of production. The difference is minimal when both consume more than one half of the social product.

In the name of "social security" both systems create much insecurity. When the crime rates soar, one may inflict cruel and unusual punishments on the violators, while the other incarcerates millions of its citizens in comfortable recreation centers. Both destroy self-reliance, responsibility, and morality. Where government makes all decisions, everyone is merely obliged to obey. No one is responsible for the consequences of his blunders, but everyone has "rights" which are claims against all others. Both disavow family responsibility for the education of children and the care of the old and sick. Both erode the basic Judeo-Christian values of honesty, fairness, trustworthiness, reliability, diligence, frugality, and dependability. Both give birth to a "new morality" which actually is immorality and dissolution.

Social disintegration may take the form of soaring crime rates, growing underground economic activity, ethnic and racial confrontations, and even calls to arms. An early symptom is the growing weight and gravity of politics, which turn into an unending bitter battle about taxes and entitlements. Politicians become rancorous spokesmen for their special entitlement groups while all the rest, in their view, are strangers, enemies, or thieves and highwaymen. While the economy stagnates or even declines, the people belligerently cling to their political privileges and entitlements: the young clutch their educational benefits from the nursery to medical school (always at other

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people's expense), the elder generation clings to Social Security and Medicare benefits, and millions of middle-aged Americans thrive on government payrolls or subsist on public assistance. The number of government employees now exceeds that of all American manufacture. The number of people with "entitlements" is incalculable. In a society so torn by political conflict it may be difficult, if not impossible, to halt the social deterioration.

All Western welfare states are heading toward disintegration. The weight of the pyramid of entitlement debt amounting to trillions of dollars is likely to crush the very system that incurred the debt. It will cause welfare governments to default in one form or another to both their creditors who financed the pyramid and to the entitlees who were promised much more. The ultimate default ofttimes leads to angry polarization and even bloody confrontation. In societies of homogeneous ethnic and cultural composition, the crisis may give rise to a political and economic command system which brutally suppresses all entitlement conflicts. In societies with various ethnic and cultural classes, individual alienation tends to turn into civil strife and bloody warfare.

The potential for political, social, and economic strife may be greater today than when FEE was born. Surely, the United States now is the sole superpower of the world and no longer needs to fear any one adversary. It rules the world as no country ever did. But it may also be weaker morally and spiritually than it was half a century ago. The welfare state has eroded the moral fiber of the people, has created a conflict system with classes of beneficiaries and victims, and fostered the growth of multiculturalism which breeds hatred and hostility. It casts doubt on the feasibility of a roll-back or even purge of the conflict system and raises the spectre of civil violence in case the benefit system should fail to meet the demands of the entitlees. Economic stagnation and decline tend to seriously aggravate the social conflict.

The task of education is more urgent and momentous than ever. There is but one method of preserving our freedom and maintaining the social peace, and that is by disseminating the seeds of Judeo-Christian morals and economic knowledge by means of education. As public tax-supported education is a root cause of the rise of welfarism and an important pillar of the conflict system, this can be done effectively only by the means of purposeful private education. There is no room for complacency. It is imperative that we face political and social turmoil with courage and self-assurance, always pointing toward the light of freedom.

The Foundation for Economic Education is dedicated to preserving and strengthening the moral and ideological foundation of a free society. It is not just one of many organizations seeking to impart economic knowledge and promote the cause of freedom. From the day it opened its doors in 1946 to this very day it has never compromised its principles. It cares more for the truth than for popularity, for truth is its own witness.

The Foundation shuns politics and keeps a respectful distance from politicians. Government has come to be an institution of booty and privilege, and is managed primarily on class-war principles. Many people plunge into politics to make their own and their electorate's fortune and care only that the world will last their span of days.

The Foundation seeks to impart not only economic knowledge but also individual values which are essential for social peace such as honesty and integrity, industry and self-reliance, prudence and courage, and charity toward all men and women.

Wisdom, knowledge, and virtue are necessary for the preservation of our freedom and the republican form of government. Therefore, we must discover and disseminate the seeds of virtue and knowledge through every part of society by all means at our disposal. We must dedicate ourselves and our labors to this very end. □

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THE FREEMAN
IDEAS ON LIBERTY

FEE and the Climate of Opinion

by Bettina Bien Greaves

"The genuine history of mankind," as Ludwig von Mises wrote, "is the history of ideas." In this sense, history is made, although it is not planned, by men and by their ideas. We can see the power of ideas by studying history. Just as water can in time wear away rock, so too may an idea whose time has come erode the rock of public opinion and change the course of history. For instance: the concepts of the eighteenth-century Enlightenment—individual rights, private property, religious freedom, and limited government—sparked an "industrial revolution" and reduced absolute monarchs to figureheads; socialist, Communist, and fascist ideas produced the totalitarian states and the world wars of the twentieth century; political propaganda catering to the fears and hopes of people persuaded the voters in the 1930s to welcome Roosevelt's New Deal and Hitler's national socialism; and the widespread belief that government spending and inflation are needed for the economy to prosper has produced today's "welfare states."

But ideas, and with them the climate of opinion, are constantly changing. There are signs today that people are beginning to reject some aspects of the "welfare state" and to look outside government for solutions to problems. Time and again, political "ins" are voted out. Cuts in government spending and privatization are now being discussed in the halls of Congress; and private enterprise and entrepreneurship are being studied on college campuses. Do these events portend a widespread ideological shift toward freedom and limited government, with more recognition of individual rights, private property, religious freedom? Only time will tell.

When the Foundation for Economic Education (FEE) was established in 1946, World War II had just ended. Discussion of military matters had, of course, been strictly prohibited during the war, and even criticism of government was considered unpatriotic. The majority of the people in the United States at that time undoubtedly believed that President Franklin Delano Roosevelt had rescued the nation from a serious depression and had been responsible for our victory in a war that destroyed the foreign "devil," Adolf Hitler. A few organizations founded in opposition to the New Deal[1] survived, but, generally speaking, criticism of government was not in fashion.

Most organizations that want to bring about ideological change try to influence the masses, to change votes and politicians at the next election. But FEE was different. Through Henry Hazlitt, Leonard Read had encountered the Austrian economist Ludwig von Mises, who stressed the importance of ideas and the power of ideology. Thus, FEE looked beyond the next election; it hoped to bring about a more lasting change in people's ideas and attitudes.

When FEE was founded, most people in this country believed that government planning was necessary to recover from the war,

Mrs. Greaves has been with the Foundation since 1951 and presently serves as its resident scholar.

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that economic prosperity depended on government spending and inflation, and that government should provide a "safety net" to protect people from the effects of hunger, poverty, and old age. The ideas on which we act come from many sources—family, school, church, workplace, friends, colleagues, and books.

The final spark that ignited Read's interest in promoting the freedom idea had come from California businessman W. C. Mullendore. However, the freedom philosophy itself has a broad base; it is built on the principles of classical liberalism as developed by thinkers over the ages, and as they are still being developed today by philosophers, scholars, historians, economists, and others who ponder the problem.

Foremost among the thinkers on whose theories and writings FEE has depended is the Austrian-born free market economist Dr. Ludwig von Mises. Mises was one of the first persons Henry Hazlitt introduced to Read when he was making plans to establish the Foundation. Mises already had a well-deserved reputation in economic circles in Europe as a scholar, as an outspoken advocate of capitalism, and also as a critic of government intervention. It is not surprising, therefore, that Read asked Mises to serve as FEE's economic adviser. Mises was never a regular member of FEE's staff, but he visited FEE regularly, lectured at seminars, and wrote articles for FEE. One draft of Mises' magnum opus, *Human Action: An Economic Treatise,* was typed on FEE's premises by FEE secretaries. When Yale University Press published it in 1949, FEE distributed copies to college and university libraries throughout the country. Mises' teachings on economics, market operations, monetary theory, the role of government, the importance of private property, and the dangers of socialism, communism, and interventionism pervade all FEE's efforts.

Henry Hazlitt was one of the Foundation's founding trustees. Although he was never on FEE's staff, his ideas and his writings have been FEE staples from the very beginning. Hazlitt's powerful little *Economics in One Lesson,* first published in 1946, has been, and still is, one of the best easy-to-read introductions to economic thinking. It has had wide appeal; *Reader's Digest* published two separate chapters before the book was published, and it has been translated into twelve different languages.[2] FEE still sells several thousand copies every year.

Promoting the Freedom Philosophy

Read used to say "You can't sell freedom like soap." In trying to promote the freedom philosophy, he refused to try to reach the masses; he rejected the use of flashy advertisements or radio "sound bites"—TV had barely been born in 1946. To change opinions long-range, not simply in time for the next election, to effect a turnabout in thinking, FEE wanted to reach people interested in ideas—intellectuals, teachers, writers, and anyone else who could help to spread the freedom philosophy. FEE began publishing books, pamphlets, and articles; holding seminars; and giving lectures. FEE's writers, of course, criticized the New Deal/Fair Deal "welfare state" philosophy of the day. But they did more; they also presented the positive free-market alternative.

In FEE's view, there is good and bad in everyone. Most people recognize the advantages of voluntary cooperation and want to cooperate, to get along and live at peace with others. Thus the market itself, a product of voluntary cooperation, tends to bring out the good, the moral, the best in people. On the other hand, government controls and regulations help some, hurt others, cause conflicts, and thus inevitably tend to bring out the worst in people.

Government should not interfere in the economy; it should not play favorites; it should protect everyone equally against aggression, domestic and foreign. *Period.* That is all! The New Deal/Fair Deal programs obviously interfered. Moreover, they didn't accomplish what their proponents intended; price and wage controls led to shortages and agricultural subsidies to sur-

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Bettina Bien Greaves amidst her books.

pluses. As Mises stated, government interference with the market not only fails to accomplish the ends aimed at but "makes conditions worse, not better," even from the point of view of the government and those backing its interference.

FEE explained that the solution for almost any problem was to get government off people's backs. Free men and women could solve their own problems better than any government planner or bureaucrat. Individuals must assume responsibility for themselves and their families and stop looking to government for help. Only then would they be free to pursue their personal goals in peace. "Anything that's peaceful" became Read's mantra.

FEE gradually began to build up a mailing list of persons to whom it sent, free of charge, one-page easy-to-read "Clippings of Note" and small pamphlets. Each commented on some current event. They raised questions. They made people think!

The Foundation also published longer studies, more serious booklets including "Roofs or Ceilings?" by two future Nobel laureates, Milton Friedman and George Stigler, "No Vacancies" by Bertrand de Jouvenel, *Fiat Money Inflation in France* by Andrew Dickson White, *Planned Chaos* by Ludwig von Mises, *Why Kill the Goose?* by Sherman Rogers, *Will Dollars Save the World?* and *Illusions of Point Four* by Henry Hazlitt, *Industry-Wide Bargaining* by Leo Wolman, *Liberty: A Path to Its Recovery* by F. A. Harper, and *The TVA Idea* by Dean Russell.

The Foundation's tracts attacked some of the government's most "sacred cows." And they were effective.

The National Association of Real Estate Boards reprinted and distributed to its members nationwide many thousands of copies of "Roofs or Ceilings?"

In February 1949, *Reader's Digest* (distribution then 4.5 million in the U.S. alone) reprinted FEE's "No Vacancies" by Bertrand de Jouvenel.

FEE Investigated and Criticized

Like a burr under a horse's saddle, FEE's critiques of government programs festered and irritated some politicians. In the spring of 1950, the House of Representatives set up a Select Committee for Lobbying Activities. Its objective was to investigate "all lobbying activities." In actual fact, it spent most of its time examining a few "conservative" organizations, including the Foundation. Were they pressuring Congressmen on behalf of their "conservative" agenda? Were they lobbying in the guise of engaging in "educational" activities? Should they be registered as lobbyists? And who was paying for their attacks on public housing? Rent control? Farm price supports? TVA? Foreign aid? Labor unions?

The Committee asked to see the Foundation's financial records and Mr. Read finally decided to open FEE's files. Four Committee staffers spent about a week in Irvington going through FEE's records.

Mr. Read testified before the Committee on FEE's role as an educational organization:

> The Foundation is not, I believe, charged by you with lobbying or with violation of the existing act. Rather, the thought is that activities such as those carried on by the Foundation, while not being regarded as lobbying as that action is commonly construed, may,

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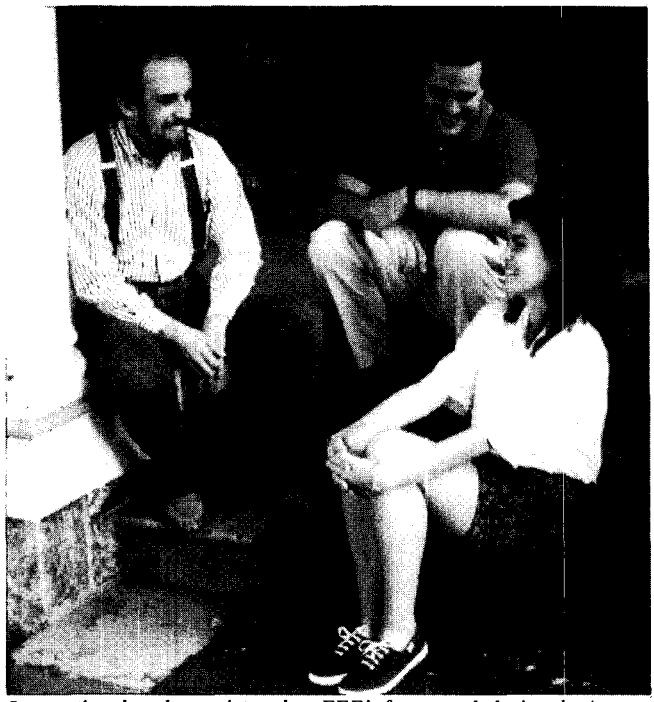

International students pictured on FEE's front porch during the August 1989 seminar.

nonetheless, have as much or more influence on legislation than those actions popularly thought of as lobbying. It has been said that our activities are in the "fringe" zone of lobbying, implying that these "fringes" might be included in any new lobbying act. That, as I understand it, is why your Committee investigated the Foundation, and why I am here.

The organization which I represent is a non-profit research and educational institution. Its sole purpose is a search for truth in economics, political science and related subjects. It is that, and nothing more—an institution for learning. I doubt that any college or university or other institution of learning in this country is more genuinely, and with any more uncompromising honesty, dedicated to the search for truth in these matters than is the Foundation. . . ."

Syndicated columnist Drew Pearson called the Foundation "A mysterious organization, . . . a vigorous lobby aimed at wrecking the European Recovery Program [that] has been flooding the country with propaganda aimed at undermining the Marshall Plan, rent control, aid to education and social security."

One radio commentator called FEE "one of the biggest and best financed pressure outfits in America. . . . It is the fountainhead for half-truths and distortions, designed to deceive the American public for the benefit of the outfits who are behind this thing." The next day the same commentator said: "The Foundation for Economic Education is a vicious anti-labor propaganda outfit. It spreads its venom in order to crush organized labor and, if possible, to crush Farm Bureau cooperatives as a secondary objective."

FEE's largest donors, according to the *CIO News*, included "some of the same wealthy individuals and firms who have kicked in to every anti-labor, pro-big business propaganda and lobby outfit in the business of trying to convince the average American that the country is going socialist, if it isn't there already, and that such aids to mankind as social security, unemployment compensation, the TVA, public housing, rent and other price controls are depriving him of his freedom to go hungry and unsheltered in his own sweet way."

A labor union spokesman wrote: "the Foundation doesn't have to scrounge for

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dollar bills like labor organizations do. . . . The list of big contributors sounds like the 'Who's Who' of American big business."

FEE's President, Leonard Read, was described in *Ammunition,* a left-wing publication, as "smooth. . . . He wears $250 suits, $30 shoes, $10 cravats (you wear a necktie, he wears cravats), and $15 shirts. . . . The Foundation for Economic Education . . . was set up with plumbing that included a pipeline into the treasury of every really big corporation in America."

One radio report released by the UAW-CIO Education Department charged that Donaldson Brown, a retired Vice President of General Motors had been "so impressed" with Read that he "set him up in the propaganda business." The release went on to say that there is "something called the Corrupt Practices Law which forbids corporations to contribute money to political campaigns and there is the Lobby Registration Act which requires lobbies to list the source of all of their contributions over $500. But this foundation operates outside both these laws."

One Democratic Congressman, Carl Albert of Oklahoma, paid FEE a backhanded compliment. Read was "far more effective," he said, "than the average buttonhole artist, so-called, around the Capitol."

The House Select Committee on Lobbying had set out to determine whether or not new legislation was needed to regulate lobbyists. Its hearings did not lead to new legislation. However, only the Democratic members of the Committee would sign its report; the Committee Republicans considered it too biased. It was "designed to help 'leftists' now running for office," they charged; the Democratic conclusions were "lopsided" and as "intolerant as an article in Pravda." The Republicans called the majority report a "Socialist white paper. . . . The majority members say all lobbying by business and conservative elements is bad; all lobbying by left-wingers, labor organizations and Fair Deal office holders is good."[3]

In 1951, Eleanor Roosevelt, widow of Franklin Delano Roosevelt, commented in her syndicated column on F. A. Harper's "Morals and the Welfare State," a FEE pamphlet. She was "struck" by the implication that there is some similarity between the "welfare state" and Communism. "[M]uch that appears in this pamphlet," she wrote, is "dishonest in its thinking. . . . the mere tying together of communism and socialism" was "dishonest. They are two quite different things. . . . We can have opinions as to whether all the things that have been done and euphemistically grouped together under the name of 'welfare state' are wise economic measures. Or we may question the effect on the character of the people when the government assumes certain responsibilities in conjunction with the people. However, that does not make us Communist or Socialist.

"We are a free people and what we choose to do should not be labeled something which it is not."

FEE's Efforts Continue

The Buchanan hearings interrupted but did not deter FEE from its educational goal. The Foundation went quietly on its way trying to erode the rock of pro-government public opinion with the written and spoken word. Its influence was gradually spreading beyond FEE's immediate circle through its readers and personal contacts. Yet during these years the media paid little attention.

The early 1950s saw the publication of two of FEE's long-term "best sellers." *The Mainspring of Human Progress* by Henry Grady Weaver, inspired by Rose Wilder Lane's *Discovery of Freedom* (1943), had been privately printed. FEE acquired the rights and put out a new edition. Weaver's thesis is that individuals have prospered throughout history only when they have been free. The book proved popular and has gone through many printings, sold many thousands of copies (several thousands each year just to one firm that uses the book as an aid in teaching their students of fast-reading).

Read "discovered" FEE's second best

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seller—*The Law* by French deputy and journalist Frederic Bastiat (1801–1850)—while still in California. Bastiat had written the book as an attack on the socialist thinking of his day but it was just as pertinent to twentieth-century thinking. Bastiat distinguished "law" from "morality." Depriving a person of his property for the benefit of another was "plunder," Bastiat said, and it was wrong no matter who did it. When the government authorized "plunder," when it taxed some people to protect manufacturers or to give subsidies to farmers, Bastiat said, it was "legal plunder."

Through Pamphleteers, Read had reprinted in California the somewhat archaic British translation then available of *The Law*. Read was disappointed at the book's reception. So after FEE was started, he had the book retranslated from the original French into modern colloquial English. The new translator, Dean Russell, a young journalist, was a World War II veteran who had been a bombardier in the U.S. Air Force. Read's attention was attracted to Russell by a *Saturday Evening Post* article Russell had written explaining why he would not take government money under the G.I. Bill to attend graduate school. Russell's rendition of *The Law* has sold more than a half million copies and has been translated into Spanish and Polish. As a result of FEE's promotion, Bastiat has even been "rediscovered" in France.

Read lectured far and wide on behalf of FEE. One of his favorite talks was on "How to Advance Liberty." The task, he said, was a learning, not a selling, process. Freedom would be won only as individuals, one by one, "did their homework," acquired enough understanding first to reject socialist teachings, and then to climb the ladder step by step until in time they, themselves, could become spokesmen for the freedom philosophy. This has been FEE's educational approach throughout the years.

Read used to tell the tale of "Whitey," a fiery labor union organizer. Whitey had led a violent life, had even had one of his fingers bitten off in a fight. Read's acquaintance with Whitey began with a vitriolic letter from Whitey attacking something Read had written about unions. Rather than answering in kind, Read replied soberly, calmly, and sent Whitey some books to read. Whitey had hardly expected such gentlemanly treatment. He read the books and asked for more. Read and Whitey continued to correspond for a couple of years. But then for a time no word from Whitey. Finally a letter. Whitey had been in an automobile accident and hospitalized for three months. Then Whitey added: ". . . but, Mr. Read, you should see the interest my three doctors are showing in *our* philosophy."

Anti-free trade protectionists protested vigorously when, in 1953, FEE published W. M. Curtiss's *The Tariff Idea*. Many producers panic at the thought of free trade for fear of lost sales due to cheap foreign imports and lost jobs because of low-cost foreign competitors. Shortly after its publication, J. Howard Pew, CEO of Sun Oil and a FEE trustee, announced that he would have to resign from the Board and stop supporting FEE financially. Generally speaking, he said, he was in favor of the Foundation's position. But, he said, when the government had pressed for exchange controls, he, as head of his company, had actively fought *for* tariffs as the lesser evil. Pew did not think he should *support* tariffs as his company's CEO and at the same time *oppose* tariffs as a FEE supporter. His obligations to Sun Oil's workers and stockholders compelled him, he said, to resign from FEE's board and to withdraw all financial support. Pew had been contributing to the Foundation from the beginning, had even withstood the Buchanan Committee onslaught, and had become one of FEE's largest supporters. Read didn't consider for a moment dropping FEE's anti-tariff, pro-free trade position; "We'll miss you, Howard," he said. Fortunately for FEE, a fellow Board member and close friend of Pew's persuaded him not to resign and he remained a FEE Trustee and supporter until he died.

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The Freeman

The Freeman began publication in New York City in the fall of 1950, as a biweekly pro-free market *Newsweek*-sized magazine of opinion. Given the widespread acceptance of the "welfare state" philosophy at that time, free-market oriented journals found it difficult to survive financially; subscriptions and advertising could not cover expenses. After a few years, in the hope of cutting costs, the financial backers of *The Freeman* decided to move the publication to Irvington. In the summer of 1954, *The Freeman* was taken over by Irvington Press, a subsidiary of FEE. It was then converted into a monthly with Frank Chodorov as editor. But it still lost money.

For almost ten years, the Foundation had been issuing occasional one-page releases, "Clippings of Note" and "Clichés of Socialism," also pamphlets and once in a while a book. In 1955, it started *Ideas on Liberty,* intended to be a quarterly. Only three issues had appeared when the decision was made to combine it with *The Freeman.* In January 1956, the first issue of *The Freeman: Ideas on Liberty,* reduced to *Reader's Digest* size, appeared under the aegis of the tax-exempt Foundation. This journal then became FEE's principal publication outlet. Another format change in 1986 altered its appearance but not the free market principles expounded.

FEE's Seminars

Silently and steadily over the years, a stream of books, pamphlets, lectures, letters, monthly issues of *The Freeman,* have issued forth from FEE. The Foundation has also reached many individuals personally by means of the spoken word, through lectures and seminars, both in Irvington and on the road.

In 1956, FEE held its first summer seminar in Irvington. FEE's limited government philosophy was so strange to the ears of the participants, many of them Keynesian and anti-business teachers, that they rejected it out of hand. Dr. F. A. Harper, FEE's most scholarly staffer on the program that summer, was an advocate of "natural rights." For him, the right to own property was sacred; it should not be violated, not by anyone, not ever! He wouldn't steal, he said, not even if he and his family were starving; certainly he didn't want the government to "steal" on his behalf. Heated discussions followed. At the close of the seminar week, the participants lined us FEE-staffers up at the front of the lecture room. With great ceremony they presented us with a peck of potatoes—to assure that we needn't starve, not even if we refused to steal or to accept government handouts.

Just as every individual is different and has a definite personality, so do groups have different "personalities," depending on their individual members. Attending the next FEE seminar that same summer was a young Mexican, Agustín Navarro. To Agustín, FEE was "Mecca," the source of all truth. His enthusiasm and eagerness were infectious; all were affected and, as a result, the participants at that seminar received FEE's message most favorably. That was a time when Mexico was hostile, even dangerous, for anyone advancing anti-Communist and pro-market ideas. Yet upon Navarro's return, he took over the Instituto de Investigaciones Sociales y Económicas and operated it for years, publishing leaflets and pamphlets criticizing socialism and Communism and promoting the free-market philosophy.

FEE's Message

What is FEE's message? For many years, FEE publications have stated that the Foundation's goal was to promote the philosophy of the free market, limited government, private property. Its message may be boiled down to three easy-to-grasp concepts: individual freedom is good, moral, and productive (see *Mainspring);* for one person to plunder another's property is wrong and immoral, just as is government-authorized plunder, or "legal plunder," as Bastiat called it (see *The Law); and* individuals working, exchanging, and cooperating vol-

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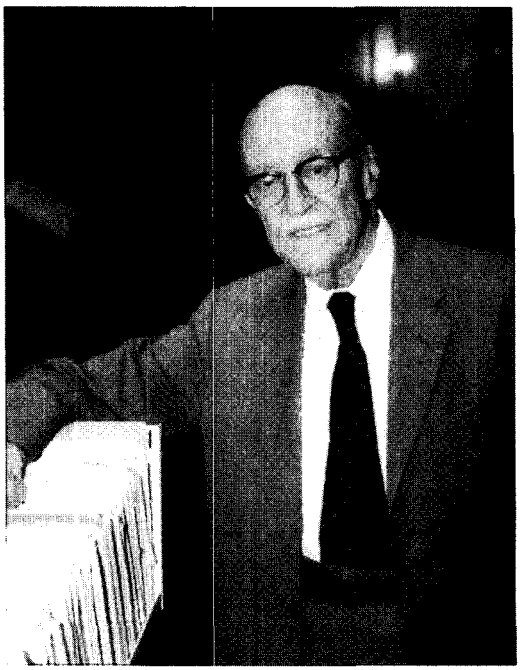
untarily in a free market increase production and improve economic conditions, while government interferences make matters worse (see Hazlitt's *Economics in One Lesson* and the logical explanations in Mises' works). Over the years, FEE has persuaded many persons to accept these basic concepts. In many cases, these ideas have changed their thinking, goals, and lifestyles.

As has been pointed out, many factors influence the ideas on which a person acts. Everyone we meet, everything we read, see, hear, learn, can affect our ideas. Even when persons have told us directly, as some have, that FEE has changed their lives, that does not mean that FEE was the only influence. Nevertheless, we can point to a few specific cases. A former public school teacher told us that he became disillusioned with the public schools because of what he learned from FEE, left the system and became an entrepreneur. One couple withdrew their daughter from the public school system and enrolled her in a private school because of a personal letter from a member of FEE's staff. Others have turned to homeschooling. Several teachers have told us that attending a FEE seminar made them more effective, and quite a few have returned for refresher seminars in free-market economics. FEE's ideas have challenged many, forcing them to rethink their basic philosophy of life. Some have started discussion groups, written books and articles and others have been inspired to go on the lecture circuit.

FEE's articles have been reprinted many times, in many places. Many have appeared in newspapers as op-eds. Quite a few FEE publications have been translated and distributed abroad. *Reader's Digest* has published at least eight articles from *The Freeman* in their American and international editions where they reached many millions of readers in the United States and overseas.

A number of FEE "alumni" have been influenced, at least in part by FEE, to start their own free-market oriented think-tanks. None has been an actual FEE clone; rather each has aimed at a somewhat different audience, used another approach, or dealt



Henry Hazlitt, founding trustee, in the FEE annex that houses his personal library, 1984.

with some special field. Dozens of such free-market institutions, foundations, or think-tanks have sprung up since the Foundation was started. Although FEE may have had nothing directly to do with their founding, if you scratch the persons responsible for their operations, you are bound to find somewhere some connection with FEE.

A Worldwide Shift in Ideology?

Now, fifty years after World War II and the founding of FEE, it is apparent that the climate of opinion in the United States is changing. There is less antagonism toward "big business," less confidence that welfare state programs are succeeding, and less pressure to grant privileges to labor unions or subsidies to special interest groups than there was when FEE was founded. There is talk now of cutting government budgets, even of trying to restrict spending on such sacred government programs as Social Security, Medicare, and welfare. There is more discussion of free enterprise, entrepreneurship, and privatization. Unfortunately, however, not enough. People are

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still not confident enough of the advantages of free markets to elect politicians who appreciate the importance of drastically limiting government so as to leave people really free.

If we look back, however, we see a hopeful trend. From the time of the Great Depression, which was wrongly blamed on capitalism, until the 1960s, the advocates of big government met little or no serious opposition. But ideas seem to have changed somewhat. The Foundation may not have been directly responsible for the 1964 nomination of Barry Goldwater as the Republican presidential candidate, for the 1979 election of a conservative Margaret Thatcher in England, for the 1980 election of the emotionally pro-freedom Ronald Reagan, or for the 1989 downfall of Communism in the U.S.S.R. and Eastern Europe. However, it is possible that FEE's constant pounding away at the freedom philosophy for fifty years, together with the efforts of other advocates of free markets such as Mises and Hazlitt, and those of the many new free-market oriented think tanks, have played, and are playing, a small role in this ideological shift. What role, if any, no one can really know. We can only say that FEE was among the early promoters of the freedom idea in this country after World War II, that FEE has been pegging away at the same thesis ever since, and that *ideas have consequences*. □

1. The more prominent "conservative" organizations established during the early years of the New Deal were The National Economic Council, founded in 1930-1931; the Economists' National Committee on Monetary Policy, set up in 1933 when the United States went off the gold standard; and the Committee for Constitutional Government, established originally in 1937 as the National Committee to Uphold Constitutional Government to fight Roosevelt's proposal to pack the U.S. Supreme Court. The America First Committee, started in 1940 in opposition to Roosevelt's foreign policy, which the Committee's members held was taking the country into a war that wasn't our business, had been disbanded promptly after the Japanese attack on Pearl Harbor.

2. Czech, French, German, Italian, Lithuanian, Norwegian, Romanian, Polish, Portuguese, Spanish, and Swedish.

3. *The New York Times*, October 30, 1950.

"No other organization has done more in the past fifty years to promote free enterprise and individualism than FEE.

FEE's literature was crucial in developing my free market orientation. I was an intellectually isolated teenager in Buffalo's inner city when I started questioning the wisdom of government regulations. FEE's materials, especially its effective rebuttals of the clichés of socialism, provided an intellectual explanation of why government failed to achieve its purported benefits. I eagerly accepted FEE's offer of The Freeman *when I had few resources to subscribe to other publications. I have attempted to do my part for individual freedom ever since."*

— Ron Robinson
President, Young America's Foundation

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FEE: A Lighthouse for Freedom

When G. K. Chesterton was asked why there were no statues in England to commemorate the influence there of the Romans, he answered, "Are we not *all* statues to the Romans?" In a very real way, statues to the Foundation for Economic Education are everywhere—in the form of people and institutions that seek to advance ideas nurtured for years by FEE when those ideas were not popular.

Yes, ideas do indeed have consequences—more powerful and longlasting than appearances on the surface might suggest. FEE's work provides ample proof.

I manage an influential organization in Michigan known as the Mackinac Center for Public Policy. Often termed a "think-tank," we advance a distinctive "free-market" perspective on a range of economic issues of concern to the people of our state. Starting with a staff of two and a budget of $80,000 in 1988, the center now employs 14 full-time individuals on a budget well over a million dollars. Friend and foe alike frequently acknowledge the great impact of our work and that of a growing number of similar organizations in other states. We are changing the climate of public opinion, state by state, by the sheer force of persuasive argumentation.

In no small measure, the success of groups like the Mackinac Center can be linked to the inspiration of the Foundation for Economic Education. I am one of countless people who support or are associated with free-market organizations that trace their roots to FEE, *The Freeman,* and Leonard Read. Back in the days when FEE kept freedom's candle lit in a night of statist darkness, we were devouring whatever came forth from the venerable scholars in Irvington-on-Hudson. And what a cornucopia it has been—articles, monographs, books, speeches, seminars—all that freedom's partisans on the cusp of ideological revolution could hope for from a single organization!

FEE's work has been, and continues to be, of great importance to groups like mine precisely because of the uniqueness that has defined FEE since its inception. It does not lobby legislatures. It does not advise governments on how to do their business more efficiently. It does not tinker at the margins of reform. Rather FEE's work is that of an intellectual lighthouse; it illuminates broad principles, focusing light on the ideal. The rest of us who work to change laws and policies fill in the blanks as freedom's light shines brightly over our shoulders.

Sam Staley, Vice President for Research at the highly acclaimed Buckeye Institute for Public Policy Solutions in Dayton, Ohio, cut his intellectual teeth on FEE's publications and seminars. He sees FEE's contributions this way:

Lawrence W. Reed, economist and author, is president of The Mackinac Center for Public Policy, a free market research and educational organization headquartered in Midland, Michigan.

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FEE was one of the first organizations that developed a complete program around communicating the concepts of classical liberalism—free markets, limited government, individual rights, and respect for civil liberties—to a non-academic audience. Its mission was broad: FEE didn't focus only on a small audience of academics or inside-the-beltway policy insiders. It published a journal that used a principled, yet accessible style to widely disseminate the ideas essential to the functioning of a free society. I am convinced that FEE's example laid important ground work for the now burgeoning think-tank movement in the United States and abroad.

The Mackinac Center in Michigan, the Buckeye Institute in Ohio, the Goldwater Institute in Arizona, and some two dozen other state-based organizations work daily to stimulate private initiatives and tear down barriers to progress erected by governments. We are constantly tantalized by compromise and expediency. The temptation to get along with the politicians, to settle for something less than what's right, comes with the territory. Without a lighthouse like FEE to remind us of the noble and enduring principles that attracted us to this movement in the first place, we might degenerate into a gaggle of "better government" groups.

The Higher Plane

FEE and *The Freeman* remind us that there is a higher plane of human interaction than good intentions backed by the force of the state. That higher plane is the peaceful, voluntary context in which enlightened citizens who respect life and property choose to associate. As for me, I find myself asking this question of almost everything my organization produces: "Does it meet the highest standards for advancing the cause of liberty?" Or as the late Leonard Read himself would ask, "Does it leak?"

Largely because the persona of FEE's founder, Leonard Read, is so firmly embedded in the organization, FEE is more than a publisher of books and articles and a sponsor of seminars. It is an organization with a distinctive style, approach, attitude, and demeanor, that freedom advocates find compellingly attractive.

FEE champions *ideas,* not personalities. Once that is understood, new avenues for persuasion open up. The most fruitful way to advance liberty is rarely to assail the intelligence or the motives of those who believe another way. Focusing on ideas and appealing to reason are much less likely to provoke hostility. That approach, seasoned with patience and a smile, is a vital ingredient in FEE's recipe for winning minds and hearts for liberty.

FEE promotes self-improvement in place of a condescending know-it-all attitude. If you want to be a missionary for liberty, to be vaguely familiar or generally sympathetic with the concept is not enough. Success at convincing others requires attention to the attractive qualities of a well-rounded individual. Be as good as you can possibly be, Read used to say, and others will seek your tutelage.

I think I also absorbed from FEE a sense of eternal optimism. No matter the turn of events in the short term, people inspired by FEE's work almost always look to the future with great hope. I have never met a regular reader of *The Freeman* who despaired or felt the urge to give up and "let history take its course." The reasons for this are obvious: FEE believes that ideas rule the world and that individuals can indeed alter the course of events by influencing ideas. Moreover, FEE promotes the freedom idea in a fashion that appeals to the loftiest instincts and ideals humans possess, thereby inspiring devotees to carry forth the message. Lights go on, not out, when you read *The Freeman* or hear a lecture by a FEE speaker.

The FEE recipe for advancing liberty lives on in the organization itself and in many others like mine. On this occasion of the Foundation's anniversary, many of us will be celebrating not only the last fifty years, but the next fifty as well. We know, beyond any shadow of doubt, with every assurance that success breeds success, that FEE's light will lead us to a freer tomorrow. □

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THE FREEMAN
IDEAS ON LIBERTY

Leonard Read, the Founder and Builder

by Mary Sennholz

In 1946, the eyes of most Americans were on the U.S. Congress debating full employment, higher minimum wages, extended social security benefits, price and rent controls, public housing projects, and government health insurance. Many Americans were eager to follow in the footsteps of the British Labour Party which, having won an overwhelming electoral victory, was busily nationalizing various industries and enacting a comprehensive Social Security system, including a national health service; but they did not dare call their aspirations "socialism," as the Labour Party openly proclaimed; instead, Americans called it just another deal, a "Fair Deal," which, in the years to come, was to have its essential parts enacted by both popular political parties.

Unbeknownst to the political world, the former manager of the Los Angeles Chamber of Commerce, Leonard Edward Read, was laboring in Irvington-on-Hudson to rally the remnants of old-fashioned liberalism and prepare for an intellectual counteroffensive. Read was an entrepreneur par excellence, confident, ambitious, and courageous, who could have launched any enterprise to which he had set his mind. But for reasons no one will ever know, he chose to enter the world of thought and ideas, of ideologies and philosophies, and create the Foundation for Economic Education.

Leonard's passion had not always been for ideas and ideologies. For much of his adult life (1928–1945) he had been a business and trade association executive, a vocal Chamber of Commerce spokesman who faithfully defended the official Chamber position, which at that time was sympathetic to President Franklin D. Roosevelt's New Deal and his attempts to pull the economy out of depression by organizing business, regulating prices, and stimulating bank credit through monetary inflation. His moment of reformation and conversion came in the fall of 1933 when, after hearing that a prominent California executive had been criticizing the Chamber, he arranged a visit to set the businessman "straight." The businessman was W. C. Mullendore, an official of Southern California Edison Company. Having made the Chamber of Commerce pitch, he was then obliged to listen to Bill Mullendore patiently explaining individual liberty and the private property order and refuting the New Deal contentions. Until his dying days Leonard swore this explanation had been his best lesson ever—it had removed the blinders from his eyes.

Leonard was a self-educated man who learned much not only from books but from a great deal of experience. Leonard's prac-

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tical education began when most children are still preoccupied with mastering the Three R's. Already by the age of twenty he had faced an unusual share of challenges which shaped his lofty spirit, empowered him with knowledge, and became the kernels of an industrious adult life. By the age of 48 he had achieved remarkable success in two endeavors when he brought forth his greatest creation, the Foundation for Economic Education.

Formative Years

Leonard Edward Read was born September 26, 1898, on an 80-acre farm just outside Hubbardston, Michigan. He was the first-born of Orville Baker Read and Ada Sturgis Read. The family labored from dawn to dusk to wrest a meager living from the bounty of nature. Leonard's father had come there from Watertown, New York, a descendant of a long line of farmers who immigrated from England early in the eighteenth century. Leonard's mother often spoke of her Grandfather Sturgis, who was the first settler in Shiawasee County. Both families truly were pioneer folk with pioneer attitudes—venturesome, hardworking, willing to share, thankful for their blessings.

When Leonard was barely eleven and his sister Rubye nine, tragedy struck. Their father died at the age of forty from septicemia, commonly called blood poisoning. His death changed the life of the family dramatically, leaving Leonard the man of the family who now faced adult responsibilities. He helped his mother sell the farm and establish the first boarding house in town. To supplement the family income, he at times worked sixteen hours a day, milking cows at Uncle John's farm and working in the village store.

A boy is said to be more trouble than a dozen girls. But Leonard had little time for play and trouble. He labored diligently and yet did not neglect his school work, hoping to become a physician. Because Hubbardston High was a rural public school with limited resources, he had to look elsewhere to complete studies necessary for college and ultimately medical school. The nearest

Aggie and Leonard Read in the 1960s

accredited school that was well known for its excellence in college preparatory instruction was Ferris Institute in Big Rapids. Founded in 1884 by Woodbridge Ferris (later to become Governor of Michigan), it was a poor child's private school with more than 1,200 pupils. A poor boy could earn his tuition by working for the school. At Ferris Institute, hard work and severe discipline were the rule. Any student failing in his academic subjects or violating the tough rules of conduct and behavior was expelled immediately, before the whole assembly.

When Leonard was seventeen his mother let him go. To work his way through Ferris Institute he would fire the furnace (at 5 a.m.), carry in wood and water, rake leaves, mow lawns, shovel snow, and so forth. He charged every new difficulty, in both studies and living conditions, with every ounce of his energy. He tackled his most uncongenial subjects and conquered them. He read and studied fervently and graduated a year later, in June 1917. "One way to check whether you ought to be doing this or that," he was to say later," is to feel your zest pulse. If it's low, chances are you should be elsewhere or doing something else. My zest pulse seems to be high in everything."

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The "War to End All Wars"

World War I had been raging in Europe since August 1, 1914; the United States had joined on April 6, 1917. Soon after his graduation Leonard enlisted with the Aviation Section, U.S. Signal Corps. He hoped to become a pilot, but on the very day he was to be transferred to a training program his Squadron was ordered to leave for New York and embark for France. Leonard was so eager to go to war that he declined the pilot training. Much later, in another war, his two sons, Leonard E. Read, Jr., and James Baker Read, were both to become pilots and flight instructors.

Many young men are attracted by the glamour, pride, and glory of war. In times of war they would think poorly of themselves for not having been a soldier who tested his courage in battle. Soldiers rarely question the justifiableness of war, or virtue and righteousness. Leonard Read was skeptical of President Woodrow Wilson's pronouncements that the war was the "culminating and final war to end all wars." He wondered about Theodore Roosevelt's oration that he was to fight "in the quarrel of civilization against barbarism, of liberty against tyranny." To Leonard, it was not his business to question, but to fight.

In France, Leonard became a "rigger," who assembles and services planes. He always kept in mind that the pilot's life depended on the care and accuracy of his work, which made him labor hard and give scrupulous attention to detail. He bought books on aerodynamics, which he studied in the evening and learned the refinements of his craft. He later was able to boast that no flyer ever lost his life because of structural failure of a plane that he had rigged. When his reputation for knowledge and capability grew, he became a natural teacher as other ground crews sought his guidance. He learned two lessons which remained with him throughout life: (1) whatever you do, it is of paramount importance to pay attention to detail; (2) when you improve your own learning and understanding, others will seek you out for knowledge and advice.

Upon discharge from the service in July 1919, Leonard was eager to go to college and earn a degree so that he could proceed to medical school. But his severance pay would barely see him through the freshman year. He had to seek employment which would permit him to save for his college career.

Husband, Father, and Entrepreneur

After he had worked in several bookkeeping and cashier positions that were disappointing, he set out to establish himself in the business he knew best, the farm produce business. For more than five years Leonard struggled to build his Ann Arbor Produce Company. While other young men of his age were attending college, Leonard built a thriving business with six employees and better than a quarter of a million dollars in gross sales, which in today's minidollars would be more than three million dollars. He even found time to marry petite, vivacious Gladys Cobb—later affectionately called Aggie. They soon were blessed with two strong and energetic sons—Lenny, Jr., and "J.B." At the age of 25 Leonard was a well-known and highly respected businessman in Ann Arbor, owning a stately home in a prosperous neighborhood.

Yet, there is an element of fate that shapes man's ends. Leonard's situation so radically changed through the advent of chain stores that he was to liquidate the Ann Arbor Produce Company, forever leave the produce business, and move to California for an entirely new career. What had begun as a step toward medical school had yielded valuable experiences and many joys, and ended with a step forward into the next phase of his life.

A great talent is often lost for the want of a little courage. For Leonard it took a great deal of courage to give up his business, a lovely home in his native state, and move 2,000 miles in order to find a new beginning. And yet, a stirring restlessness, nourished by growing doubts as to the future of his Ann Arbor Produce Company, prompted the

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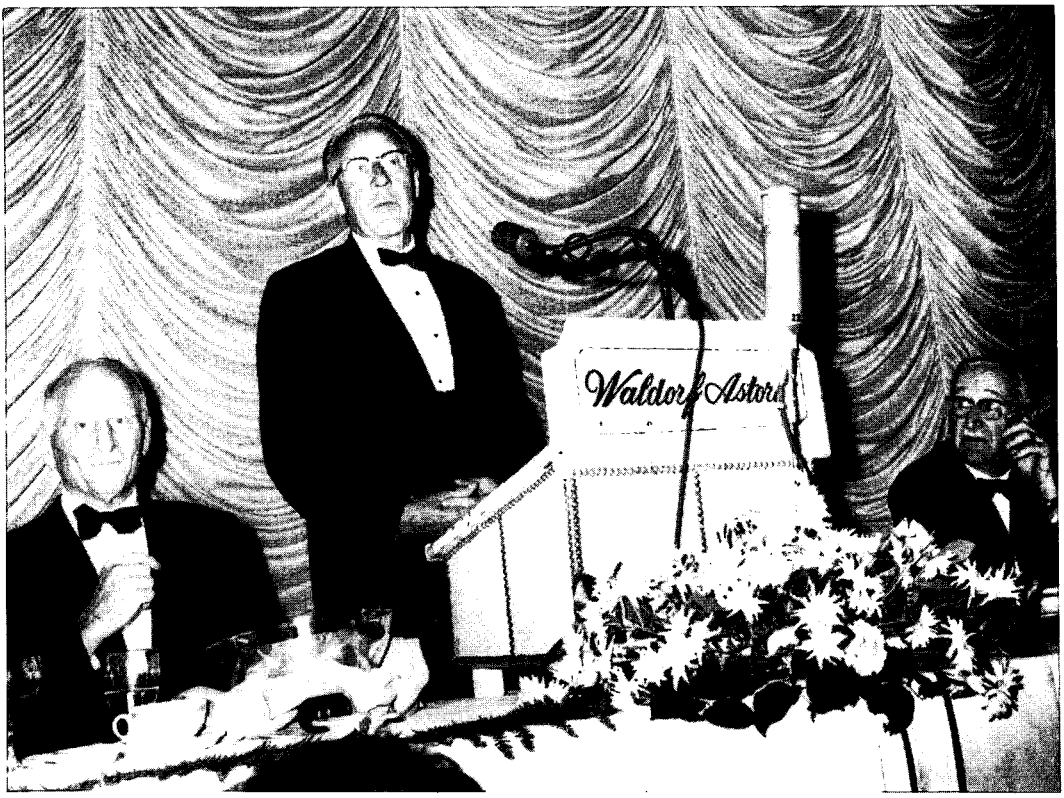

Leonard Read, at the celebration of his seventieth birthday in 1968, flanked by Lawrence Fertig and F.A. Hayek.

difficult decision and took the Leonard Read family to California, the Golden State.

Seeking More Light

Success in life is a matter of concentration and service. Step by step, little by little, bit by bit—that is the way to success. Unbeknownst to himself, Leonard was about to enter a phase of his life that would take him to the very summit of accomplishment. He would succeed above his fellows because he would continue to grow in strength, knowledge, and wisdom. He would seek more light, and find more the more he sought. Leonard Read was to become one of those rare individuals who take and give every moment of time.

He spent the next eighteen years with the Chamber of Commerce, serving as manager of Chambers in four locations: Burlingame, Palo Alto, the National Chamber's Western Division in Seattle, and finally, as General Manager of the Los Angeles Chamber. Here he directed a staff of 150 serving 18,000 members.

Leonard grew in many fields and branches of knowledge. In time he became a vocal critic of policies that would limit the scope of individual freedom and expand the powers of government. There were many local issues on which the Chamber of Commerce was expected to take a position such as the "Production for Use" movement, the popular "Ham and Eggs" scheme, "End Poverty in California," and many other programs. In hundreds of speeches and pamphlets Leonard Read opposed these welfare schemes with some success. "After six years of these 'successes,'" he later wrote, "it became evident that if the intellectual soil from which these fallacies sprung were rancid, new ones would spring up in their places. Only the labels would be different. What I had been doing was comparable to proving only that the earth isn't flat. The positive knowledge of someone discovering that the earth is a spheroid has

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rid us of the whole collection of fallacies about the earth's shape. While it is necessary to understand and explain fallacies, that's less than half the problem. Finding the right is the key to salvation, for the wrong can be displaced only by the right."

Leonard felt a sense of duty to speak out clearly and courageously. He raised his voice against any abuse of power and especially against injustice committed in the name of law. His devotion to the cause of freedom caught the attention of many people in high places. Virgil Jordan, the President of the National Industrial Conference Board (NICB) in New York, had the wisdom to invite Leonard Read to achieve with NICB on a national scale what he had accomplished so admirably at the L.A. Chamber. And so, on May 15, 1945, Leonard Read became Executive Vice President of the National Industrial Conference Board and was looking forward to launching a nationwide educational program for the restoration of individual freedom and the market order.

As was his wont, Leonard poured his full effort and energy into raising money for the great task he was about to undertake. He was "on the road" most of the time, calling on prospective donors and presenting his ambitious program. However, NICB's policy was to organize public meetings at which "both sides" of an issue were presented. Leonard opposed this policy. How do you represent "both sides" when "one side" is all around you? How do you state your case for individual freedom and the private property order when the other side is monopolizing the stage?

After eight frustrating months with NICB, Leonard resigned his position. Since he had raised many thousands of dollars for a cause he was unable to promote fullheartedly, he felt obliged to visit the donors and apologize for his failure. One of these men was David Goodrich, Chairman of B.F. Goodrich Company in New York City. When Leonard brought him the sad news of his failure, Mr. Goodrich raised a simple question: "If you had an organization of your liking, what would it look like?" Leonard went home, dazed and puzzled, with renewed courage and hope. He went to his typewriter, and between 3 p.m. and midnight wrote a description of the organization he envisioned. On that day in January 1946, the idea of the Foundation for Economic Education was born. To join all its pieces it would take a few more months, but a great idea had come to the world and now was pressing for admission.

The Founding of FEE

On March 7, 1946, seven founders of the Foundation met in the office of Dave Goodrich for the inaugural meeting. They were Leonard Read, Donaldson Brown of General Motors Corporation, Professors Fred R. Fairchild of Yale University and Leo Wolman of Columbia University, Henry Hazlitt of the *New York Times,* Claude Robinson of Opinion Research Corporation, and Goodrich himself.

The founders were convinced that New York City, with its splendid education and financial facilities, provided the ideal setting for FEE. But rent control had created a painful shortage of office space while confiscatory income and estate taxation had forced luxury homes and mansions to the market, which were now being sold at fractions of their original construction costs. When a thoughtful real estate agent showed Leonard a property at 30 South Broadway in Irvington-on-Hudson with its badly overgrown grounds and a mansion that showed evidence of neglect, he knew he had found the ideal home for his fledgling organization. Here he could set out to complete his mission "to discover, gather and to fasten attention on the sound ideas that underlie the free market economy which, in turn, underlies the good society."

Leonard sought to surround himself with men and women of excellence, seekers of knowledge and students of liberty. Throughout the years his senior staff consisted of scholars who combined in a common effort and with energy and industry sought to serve the cause. Most of them spent a few years in Irvington and then moved on to

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More 1968 birthday festivities: Leonard Read joined by Benjamin Rogge (center) and William F. Buckley Jr.

other important pursuits in industry and education. Some were to become captains of industry, founders of enterprise, or famous educators. They all became wiser for their years of learning at FEE and their association with Leonard.

Ludwig von Mises was associated with the Foundation from the day FEE opened its doors to the day of his death in 1973. Read and Mises formed a team of discovery, united in the love of liberty and truth, succeeding in all they undertook, and whose successes were never won by the sacrifice of a single principle. Their association and friendship, which began for an end, continued to the end. Their joint efforts were to make the Foundation in Irvington-on-Hudson the intellectual center of the freedom movement.

In time *The Freeman* was to become the flagship publication of the Foundation. It came to FEE in 1955 when it ran into financial difficulties. In the dreary world of political strife *The Freeman* brings new hope to the weary mind and instills new strength.

In the early days of FEE, Leonard himself responded to all requests for lectures and speeches explaining the freedom philosophy. His friends and members of the board of trustees would invite him to speak to their service clubs and other groups. As the request for lectures and speeches continued to grow, the senior staff, too, was called upon to explain the work of the Foundation. Leonard and his colleagues traveled thousands of miles, from Maine to Hawaii, Manitoba to Miami, in order to explain the benefits of freedom. The growing popularity of the FEE speakers, finally, pointed to the need for short courses or "seminars" lasting one or two days. Throughout the year they conducted seminars at the Foundation in Irvington, attended by eager students of liberty from many parts of the country and world.

Leonard was always aware of the ethical and religious dimensions of human liberty. American institutions and the American way of life, he believed, ultimately rest on the tenets of the Judeo-Christian religion. It is from this source that we derive our convictions as to the meaning of life, the nature of man, the moral order, and the rights and responsibilities of individuals. The American system, as it was originally conceived, is a projection of this religious heritage, and the American dream has an implicit religious content.

Leonard used what he knew about nature as evidence for his belief in God. Nature reveals certain qualities that are characteristic of an intelligent mind which designed nature for a purpose. In his own words: "There is the Mind of the Universe—God—from which all energy flows. Individuals are receiving sets of this Infinite and Divine Intelligence."

Although Leonard Read published numerous tracts on political economy, his chief contributions to social thought lie in what he added to the philosophical, ethical, and psychological basis of human action. He was essentially a social philosopher who was more interested in moral and psychological principles than in economic theory.

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A Commitment to Principle

For the founder of the Foundation for Economic Education, the meaning of education was of crucial concern and occupied his mind from FEE's beginning. In *The Coming Aristocracy* (1969) he stated his concern in simple terms: "Intentionally working on others takes the effort away from self. It has no effect on others, unless adversely; and the unevolving self is always the devolving self. The net result is social decadence—and has to be. The corrective for this is to rid ourselves of the notion that Joe Doakes must stand helpless unless he be made the object of our attention. Joe will do all right—and the same can be said for you and me if we'll just mind our own business, the biggest and most important project any human being can ever undertake!"

This message is repeated in several of his 27 books, written largely between 1954 and 1982, sometimes two volumes in one year. He did not compromise in matters of principle no matter how the world censured him for his strict and unyielding position. His answer was uncompromising: "Principle does not lend itself to bending or to compromising. It stands impregnable."

Leonard kept a journal of his labors and principles, never missing a day of entry since he began on October 16, 1951. In his journal entry of 9/5/54 he explained his reason for this activity. "Recording what one does and thinks each day is more of a discipline than one would at first suspect. Not that it isn't possible to do or think what one does not record. But there is a forceful tendency to act only in ways that are recordable." On the 22nd anniversary of his first entry, he reminisced: "I have kept you faithfully for all of these years, never missing a day. In a word, you are a joy to me or this would never have been accomplished."

Among his achievements, Leonard was proud of his performance and accomplishments in his favorite sports: golfing and curling. He learned to play golf as a young Chamber of Commerce executive in Seattle and later played when time and weather permitted the rest of his life. He sometimes declared that the most important lesson which golf may teach its devotees is the "magic of believing." In belief lies the secret of all valuable exertion and success.

It should not surprise us that a man who found so much fun and pleasure in life on the golf course and the curling rink, as did Leonard, displayed a great deal of interest in the practices of the "good life." He took his cooking stove, saucepans, and pantry seriously and believed that dinner tables should be ever pleasant places in an otherwise arid world. With his love of innovation and experimentation Leonard transformed the Read cuisine into a gourmet's laboratory, ever searching for exclusive culinary delights for the benefit of soul and body. Because Aggie, an excellent cook in her own right, didn't care to be called upon to pare the potatoes or chop the vegetables while he put on the finishing touches, they agreed that each one would prepare his or her dishes from beginning to end. For many years, Leonard used to don a cook's hat and prepare his *Chicken Livers Leonardo* for appreciative guests.

Until his death at the age of 84, Leonard continued to combine a youthful sense of wonder and curiosity with the profundity and erudition that are the fruits of many years of experience and labor.

In the early hours of May 14, 1983, Leonard E. Read died peacefully in his sleep. He had spent the day before at his desk, preparing for the annual meeting of the FEE Board of Trustees scheduled for the following week. At the age of 84, he left his grand creation, the Foundation for Economic Education, in sound condition intellectually and financially. He left his family as he left the Foundation, well ordered and well instructed.

Leonard Read was one of the most notable social philosophers of our time. His name will forever be associated with the rebirth of the freedom philosophy. The Foundation for Economic Education constitutes an enduring monument to his energy and talent. □

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THE FREEMAN
IDEAS ON LIBERTY

From Leonard Read: A Legacy of Principles

by Melvin D. Barger

The first time I ever read anything by Leonard Read—in the late 1950s—I thought he was arbitrary, opinionated, and reactionary.

Within a few years, however, I was following his ideas with close attention and was also contributing to *The Freeman*. And when I met him personally in March of 1961, I had come to view him as principled, focused, and visionary. Today, nearly thirteen years after his passing, I view him as a great pathfinder in my own life, and, more importantly, as a social philosopher who will shape the future.

What brought about this changing viewpoint?

It wasn't any change in Leonard, because he hardly ever wavered from the principles he championed when establishing the Foundation for Economic Education in 1946. The change was my own. First, more reading and thinking about our general social organization brought about a realization that we needed new moorings and a better sense of direction in human affairs. I also became disillusioned by the failures of ideas in which I had believed. It became clear, too, that a large number of our leaders may have lost their way.

While Leonard Read often wrote on timely subjects, he was never caught up in political movements or felt that a single election or candidate would either doom us or save us. He consistently followed his carefully honed set of principles, and it was always possible to find this consistency in his writings. Three Readian principles stand out in my own memory of him, and almost define the way he thought about life and the world. Though Leonard expressed these ideas in many forms, I have chosen here to word them as I perceive them:

1. Anything that's peaceful should be permitted.

2. Coercion is never creative and cannot bring about continuing human progress. Only freedom does.

3. Each of us is some part of the Universal Consciousness and can achieve greater good for ourselves and others through self-improvement, which comes by expanding the individual consciousness.

How well do these principles work in practice? Here are examples of my experience with them:

Anything that's peaceful should be permitted. Leonard Read's views on peace were nothing short of radical, but they would please few of the radicals who march for peace and hold other demonstrations for it. Nor would Leonard have believed that many of those who advocated peace were really peaceful in their own thinking or in the way they wanted to deal with others. Since most of them were really interested in

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using government power to impose their views on the rest of us, Leonard would have regarded such advocates as being anything *but* peaceful.

One of Leonard's radical ideas is that government power is organized force that should be used sparingly; actually, only to protect individuals from crime and fraud, to enforce lawful contracts, to protect property, and to defend the country. In doing this, it is maintaining peace and acting peacefully.

But when government expands its powers into other areas, it cannot and does not act peacefully. In redistributing income, for example, it must use police power to take from one in order to benefit another. This process goes on in countless ways and has many supporters, but Leonard saw it as violence, even if the police officers do not actually appear to collect the taxes. Any other government action must also be enforced by violence if certain individuals or groups refuse to go along with it.

But Leonard had little sympathy for those who objected for the wrong reasons when the government appeared to be abusing or exceeding its powers, when they protested about specific incidents of power abuse without facing the underlying causes that had put such abuses in motion.

In 1961, for example, there was a great outcry when the Internal Revenue Service seized horses belonging to an Old Order Amish farmer in Pennsylvania who had refused to pay his Social Security taxes. The IRS agents who confiscated and sold the horses for taxes were seen by the public as villains. But Leonard rightly pointed out that the agents were doing precisely what they should have done. "This agency of government is not in the business of deciding the rightness or wrongness of a tax," he wrote. "Its job is to collect regardless of what the tax is for." He even went on to suggest that in carrying out their duties as law enforcement officers, they had to treat this gentle Amish farmer just as they would have treated John Dillinger or some other infamous bank robber.

It seemed quite a stretch to compare an action against a peaceful Amish farmer with the manhunt to get the notorious and dangerous Dillinger. But since the Amish farmer had become a lawbreaker, police power had to be applied just as it was against deliberate felons. As a last resort, the federal agents could have used deadly force had the Amishman carried his protest too far.

Leonard's view on this is useful to remember when considering current actions of the IRS or federal agents in general. Time and again, we hear about the arbitrariness and high-handedness of the IRS, but we don't hear much support for real elimination of taxation or the lavish spending which makes it necessary. And when we hear criticisms of other government actions, such as the Waco Branch Davidian catastrophe or the killings at Ruby Ridge, we still do not have many people pointing out that such tragedies are likely to occur as a result of the relentless expansion of government police power.

If we believe that the coercive powers of government should be used to address every social problem, we can expect various unwanted consequences. Government power must be enforced at gunpoint. So, if we don't like it when the guns really appear and are used, then we should get back to basics and place strict limits on the power and scope of government. Limited government, as Leonard saw it, would require only sparing use of police power.

But even as the debates over government actions continue, Leonard's basic principles serve as a useful guide when considering other issues. In recent years, for example, I've written about government subsidy of the arts. It's clear that government support of the arts is not a peaceful action: coercive means are used to take money from taxpayers to support forms of art which are sponsored and defended by various pressure groups. Whether we approve of the art or not is irrelevant; we simply have no real choice in the matter of supporting it.

When recent controversy arose over the nature of some subsidized art, there were cries of "censorship" because elected officials took a stand against certain shocking

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examples. But elected officials have a right and even a duty to exercise judgment over tax-supported projects. Had this been *privately* funded art, however, any government criticism or interference would have been wrong and certainly in violation of the First Amendment. The protesters, unfortunately, were so addicted to government grants as a "right" that they could not understand the difference between "public" and private funding of the arts. The correct solution would have been to end all government support of the arts while continuing to fight the battle for artistic freedom on Constitutional grounds.

Leonard's principle of permitting "anything that's peaceful" is also a model for personal behavior. It can help us steer clear of wrong actions when our so-called friends try to enlist us in bad practices. Shortly after I began writing for *The Freeman*, for example, I had a visit from a man who organized telephone campaigns against left-leaning school teachers in his district. The method was to harass and hound them until they were forced to quit or asked to resign. While not in agreement with the teachers, I could not condone this method of dealing with them. It was an abusive and practically violent tactic that no real student of liberty would endorse.

In adopting this principle of acting only peacefully, it's also necessary to determine whether or not a certain practice is peaceful. The late Ben Rogge, who taught often at FEE, would uphold "anything that's peaceful," and then go on to point out "that we're not being peaceful if we build a fire and allow the smoke to drift into our neighbors' yards." This explanation would seem to justify all the wretched actions the government has taken in the name of environmental protection. But I think both Ben and Leonard would have argued that people who really believe in peaceful actions will also practice common sense, good ethics, and courtesy, whether tending to a backyard fire or a large factory.

A second idea I acquired from Leonard (and other FEE writers) is that *coercion is never creative and cannot bring about continuing human progress. Only freedom does*. Leonard had great admiration for the geniuses of the past who had brought about the industrial revolution and other modern miracles. But creativity could not be coerced; it had to flow from the voluntary efforts and thought processes of people working together in harmony.

He stated this in various essays, but his classic was "I, Pencil," in which he argued that no single individual knows how to make a simple pencil, and yet we produce billions of them every year. Years later, the noted economists Milton and Rose Friedman used this wonderful example in their popular 1979 book, *Free to Choose*. If nobody knows enough to make a pencil, it is equally true that nobody knows everything that's required to produce all the other things we now enjoy and use. The market takes care of progress, if people are permitted to think, invent, produce, and sell without undue interference or outright prevention of their activities.

And where there was outright prevention of economic activity, Leonard could easily cut through the confusion. For the past fifty years, for example, there has been rising concern about the mediocre performance of the government-owned postal service, with frequent attempts to modernize and reorganize it. Despite considerable effort and the talents of some fine managers, the postal service still ranks low in the public's esteem and loses business to those entrepreneurs who are permitted to compete with it in some types of services (but not in first-class deliveries).

Leonard believed that the answer to the postal confusion was simply to "let anybody carry mail." There was no real reason that the government should have a legal monopoly on first-class mail, thus preventing other delivery services from trying their luck in the field. He would point to the market's success in bringing telephone messages across the country in fractions of seconds, while mail deliveries continued to be clogged and inefficient.

With Leonard's approval and the support of *Freeman* editor Paul Poirot, I wrote

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several articles about the post office, suggesting that free-market mail was the answer. These articles were considered quixotic and downright impractical in the 1960s and '70s, but time has vindicated them. At the same time, Leonard's belief that anybody should be permitted to carry mail is now being seriously considered and would even soon become lawful if not for the fierce opposition of the postal unions.

But the market is taking steps of its own to deal with the postal monopoly. Even if letter mail continues to be a government monopoly, the fax machine and E-mail are now competing effectively with postal deliveries. Both developments were just coming onto the scene during Leonard's final years, but he would have cited them as more proof of the creativities that lie in the free marketplace.

The third important idea I learned from Leonard is that *each of us is some part of the Universal Consciousness and can achieve greater good for ourselves and others through self-improvement, which comes by expanding the individual consciousness.* To some, this sounds a mite religious, but I never learned anything about Leonard's church affiliations or matters of that sort.

His approach was simply to point out that we didn't create ourselves or bring about the intelligence that is in all things. We also have an earthly purpose, which is the improvement and advancement of the individual consciousness. We cannot really improve others except by offering them our perceptions of the truth and also by setting good examples in our own lives. Any coercive effort *outside* the individual is bound to fail in the long run, since it is only our own personal acceptance of ideas that gives them lasting power and effectiveness.

I had good reason to go along with Leonard's position on this, because my own background as a recovering alcoholic had prepared me for it; indeed, I outlined these points in a 1961 *Freeman* article titled "The Lessons of Lost Weekends." But lingering in the back of my mind were doubts that the individual consciousness could have any real impact on the formidable political powers that were causing so much misery in the world.

But time would prove Leonard right, at least to my satisfaction. The decline of Communism is an outstanding example. Back in the 1960s, most of us in Leonard's circle of friends were appalled by the astonishing hold Communism seemed to have over large areas and populations. We could not see any light at the end of this tunnel, and there was a paralyzing fear that this demonic force would eventually enslave the entire world. It did not seem possible that Communist power could ever be broken without armed rebellion or perhaps a preemptive war by democracies. Indeed, during those years people did argue that the United States had the right to strike preemptively against the Soviet Union to save our own freedom.

Fortunately, we never took such a course, which would have been terribly wrong in Leonard's view as another case of using guns to carry out something that comes only by a change of consciousness on the part of many people.

And thus came the change. Though the threat of retaliation also slowed the Communist advance, at work was another process—year by year, gradual shifts in the way citizens in the Communist countries viewed themselves and their governments. The process was so slow that only a few people realized it would someday reach a critical mass and topple one government after another, and without a great deal of bloodshed. The toppling began in the late 1980s in the Eastern European countries. When the Soviet government finally yielded to this process, we discovered that the people required no educating about the nature of Communism nor informing that Marx and Lenin were just as responsible for its horrors as such perpetrators as Stalin and his henchmen. From bitter experience they understood Communism better than we did. And really, it would not have collapsed without a general "change in consciousness."

This fall of Communism took place after Leonard's passing and is not yet complete.

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Leonard Read in his office in 1954 with his secretary, Bette Fletcher.

But he would have understood it, and also would not be surprised that considerable crime, chaos, and ethnic strife followed in many of the formerly Communist countries. These problems, too, grow out of the individual consciousness and can only be eliminated when people come to realize their errors and make the appropriate changes in their political environments. The current problems in the former Soviet Union and Yugoslavia also show that the coerced togetherness did nothing to change the real feelings of the people involved. Even with seventy years in power, Communism in the Soviet Union could only keep the lid on ethnic rivalries; it could not remove them. And it is probably beyond the reach of any intervening country, however well-intentioned, to force permanent changes in the world. We have learned, to our sorrow, that there are strict limits to what guns can accomplish in dealing with world strife. While Communism was always an organized threat, our real problems continue to be the human failings that go back to the beginning of time.

Yet, though millions of people throughout the world seem to be caught up in fear, corruption, hatred, and envy, Leonard had hope for the future. He believed that "thoughts rule the world," and even gave that title to one of his books of essays. He felt that the United States and other democracies, ensnared by many of the same problems that cause havoc elsewhere, should not preach or interfere with others.

But he had immense faith in the final triumph of freedom that would come about with a change in human thinking. This, in turn, would bring about the elimination of the coercive, destructive practices that are raging because people are not really pursuing peace. Also, there is no dearth of good thinkers we can look to for the ideas we need to create a peaceful, prosperous, and happy society. As examples, Leonard listed such great thinkers as Confucius, Socrates, Jesus, Epictetus, John Locke, Edmund Burke, Bastiat, Cobden, Bright, Adam Smith, Washington, and Marcus Aurelius, among many more.

It's a great list. My only change would be to add one name: Leonard Read. The world owes him more than we will ever know. □

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"I happened to have been in London for three months in the early 1930s and had four private interviews with John Maynard Keynes. He sold me a bill of goods to the point that I thought he set the moon. I came home with the idea of getting Keynes and FDR together. When the latter came to town, I sat on his platform and marveled at the way he handled himself. If I could only get the two together, maybe we could get the economy rolling again. My father was quite upset with my thinking at that time.

What turned me was not only meeting Leonard Read, but FDR's attempt to pack the Supreme Court because they had turned him down. To me, that was like trying to change the referee because you were losing. Then came the realization that Keynesian thinking just didn't work. Deficits in depression did not disappear in recoveries. In fact, the politicians spend more. So these revelations began to temper my liberal feelings, and meeting Leonard satisfied them rather permanently.

My connection was an interesting one. I had just returned from World War II when I dropped in at my father's house to pick up something. The telephone rang and I answered. It was Edgar Queeney, President of Monsanto, calling my father. I told him that my parents were out of town – down South. He asked me to play golf with a man who was visiting him. I told him that I was just home from the Navy and hadn't played for 4½ years. He was tied up and couldn't take care of him and asked if he could send him over. I said 'Yes.' He didn't even mention his name. I returned to my own house and soon a big Cadillac drove up and out stepped a man. I rushed out to meet him and it was Leonard Read. He came in and within two hours, he turned my whole world around."

– Harry F. Langenberg
St. Louis, Missouri

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"One can look at the proliferating free market groups throughout the nation and see their boards of directors liberally sprinkled with FEE alumni. One can read of Mises, Hayek, and peaceful volunteerism in places unthinkable 40 years ago. And for all of this and more, we can be grateful for FEE's steadfast presence in the world of ideas. I am proud to count myself among the countless other individuals who have found inspiration and insight from The Freeman *and the teachings of FEE. May it carry the torch of freedom for decades to come as it has so courageously in years gone by."*

— ***William H. Mellor III***
President and General Counsel
Institute for Justice

"On behalf of the staff of the Intercollegiate Studies Institute (ISI), I want to convey our heartfelt congratulations to everyone at the Foundation for Economic Education on the occasion of your landmark fiftieth anniversary.

Many are perhaps unaware of the historic connection that exists between ISI and FEE. Not long after ISI was launched in Washington, D.C., in the early 1950s, its founder, Frank Chodorov, was appointed editor of The Freeman. *As a result, Frank moved ISI to Irvington-on-Hudson where we were given temporary shelter by FEE's president, Leonard Read.*

Those were days dominated by collectivist minds, but we nevertheless harbored the conviction that the future would be shaped by conservative minds. FEE should certainly share some of the credit for the realization of that conviction. Indeed, the future of freedom, though always tenuous, is less so today thanks to the invaluable resources and publications FEE provided to countless numbers of beleaguered freedom lovers."

— ***E. Victor Milione***
President Emeritus
Intercollegiate Studies Institute, Inc.

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THE FREEMAN
IDEAS ON LIBERTY

The Moral Dimension of FEE

by Gary North

". . . man playing God is a prime evil, an evil seed that must grow to a destructive bloom, however pretty it may appear in its earlier stages."

Leonard E. Read[1]

A quarter of a century ago, Jerome Tuccille wrote a book, *It Usually Begins With Ayn Rand*. For some people, this may have been true in 1971. But far more true even then was this statement: "It usually begins with a copy of *The Freeman*." For over three decades, I have asked people: "How did you get into the conservative movement?" More than any other answer, I have heard this one: "Somebody gave me a copy of *The Freeman*. I don't remember who."

When we think of the Foundation for Economic Education, we think of *The Freeman*. The two are completely intertwined. *The Freeman* is much better known than FEE. Yet this was not always the case. FEE began in 1946. It had no magazine for almost a decade. But more important for the purposes of this essay, FEE had little recognition prior to *The Freeman*. It was an unknown organization. *The Freeman* is what put FEE on the map and has kept it there.

In this sense, *The Freeman* has represented FEE to the public far more than most journals represent their publishers. For four decades, FEE has appeared to the public as *The Freeman*'s publisher more than as an organization with a comprehensive program, one aspect of which is a monthly magazine. We do not think of the Harvard Business School primarily as the publisher of the *Harvard Business Review*. We do think of FEE primarily as the publisher of *The Freeman*. This has elevated *The Freeman* to special status, both for FEE and for the libertarian movement.

A Brief History of *The Freeman*

In the 1920s, Albert Jay Nock had edited a magazine called *The Freeman*. Frank Chodorov, Nock's disciple, revived the name in the late 1930s for the magazine he edited for the Henry George School. He was soon fired, and the name went with him.[2] It was revived again in 1950 when Henry Hazlitt and John Chamberlain began publishing a magazine that replaced Isaac Don Levine's *Plain Talk*.[3] George Nash writes of this effort:

> By the end of its first year of publication, *The Freeman* had attained a modest circulation of about 12,000. This rather low figure does not, however, adequately reflect either its influence or its significance in the early 1950's. Here at last was a respectable journal ("a fortnightly for individualists") which was providing a regular forum for hitherto dispersed writers. Here at last was a periodical applying libertarian theories to daily realities. Not only professional journalists but also scholars like Hayek, Mises, and Germany's neo-liberal economist Wilhelm Röpke appeared in its

Dr. North is president of The Institute for Christian Economics in Tyler, Texas. He was FEE's director of seminars in the early 1970s and has served as a member of the board of trustees.

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pages. Men as diverse as Senators Harry Byrd and John Bricker, John Dos Passos, Roscoe Pound, and General Albert Wedemeyer acclaimed its value. It is difficult to convey a sense of the crucial role of *The Freeman* at the height of its prestige, between 1950 and 1954.[4]

FEE anonymously took over publication of this *Freeman* through its Irvington Press entity from 1954 until its demise in late 1955. In January 1956, the modern *Freeman* was born under the then anonymous editorship of Paul Poirot. This 64-page magazine was formatted somewhat like *Reader's Digest*. Like *Reader's Digest* in those days, *The Freeman* contained no outside advertising. Even today *The Freeman* only accepts advertisements related to the overall purpose of FEE.

In 1953, Chodorov founded the Intercollegiate Society of Individualists, with young William F. Buckley Jr. as its first president.[5] At that time, ISI had no regular publication, but it sent books and articles to college students around the nation. This organization was another key player in the revival of conservatism. What should be apparent is that Frank Chodorov, a defender of Henry George's single tax on increased land value, a non-interventionist foreign policy, and the free market, was the key figure in the revival of both conservatism and libertarianism, yet few people remember him today. Of his three surviving legacies—*The Freeman*, ISI, and Buckley—only the first retains Chodorov's forthright commitment to the unhampered free market and non-interventionist philosophy generally.

Oasis in a Desert

The publishing world was an intellectual desert for conservatives and libertarians in 1956. The number of conservative American publications was so small and their influence so minimal that it is difficult to remember them. *Human Events* had begun in 1944, a joint effort of Frank Hannigan, Felix Morley, and William Henry Chamberlin.[6] It was a libertarian newsletter, not the tabloid it is today. There was *The American Mercury*, but by then it had become an outlet for defenders of a conservative variety of fiat money inflation. The year before *The Freeman* began, Buckley launched *National Review*. He had wanted to use the name, *The Freeman*, but FEE's trustees refused to surrender it. There was *Christian Economics*, a tabloid funded by Calvinist-libertarian multimillionaire J. Howard Pew of Sun Oil. It had begun in 1950. It was sent free of charge to American clergymen. The *Saturday Evening Post* and the *Chicago Tribune* were conservative in tone and both published conservative and libertarian authors, but neither publication was openly ideological. So, in 1956, there were few outlets for conservatives and libertarians.

Our memory of FEE prior to *The Freeman* is sketchy, at best. FEE put out numerous pamphlets and short books, but there was no regular pattern of publication for nine years. Leonard Read assembled a staff of competent but unknown free-market economists out of Cornell University's Department of Agriculture: F. A. ("Baldy") Harper, who was not very bald, W. M. ("Charley") Curtiss, and in 1949, two of their former Ph.D. students, Paul Poirot and Ivan Bierly. Orval Watts, another key figure on FEE's original staff, probably had more to do with teaching Read his economics than anyone else. Dean Russell and the two Cornuelle brothers, Richard and Herbert, also were on board. There was also a young woman who would later become better known as Mary Sennholz. Ludwig von Mises would journey up from New York City to give lectures at FEE, but he was never on FEE's full-time staff. Neither was Henry Hazlitt.

The staff's early contributions are now forgotten in the mists of time. What is remembered is *The Freeman*. The importance of *The Freeman* was not just the quality of the articles that appeared in it, but its very survival. It has survived for four decades, just as *National Review* has survived; and between these two journals, we can identify and trace the history of post-War American conservatism's two factions: libertarian and conservative. Their survival

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has been basic to the origins and extension of the conservative movement.

Positioning

To survive and prosper in a highly competitive market, a product, service, or company has to become known for its unique contribution to the consumer. This is known in modern advertising as positioning. To position itself, an organization needs what has been called a USP: a unique selling proposition. In non-profit circles, it probably should be known as the unique service proposition. An organization's USP is that unique service which no other company can offer equally well, or at least no other company can offer without appearing to be a copycat. One of the most famous USP's in history is the one for M&M candies: "Melts in your mouth, not in your hand." Another famous one is Federal Express's, which offers next-day delivery "when it absolutely, positively has to get there overnight." The unique selling proposition shapes both the development and operations of the organization. If it unofficially changes its USP, or if its operations do not testify to and reinforce its USP, a successful firm's success will almost always depart. The most famous recent example of a near-suicide in this regard was Coca-Cola's decision to change its formula. The re-introduction of the old formula under the name Coca-Cola Classic saved the company from a disaster.

There has never been a systematic effort to produce a USP for FEE. *The Freeman* has always had a slogan: *ideas on liberty*. But a slogan is not a unique selling proposition. Nevertheless, *The Freeman* has always had an unarticulated USP:

> The only magazine that introduces newcomers to the idea of the free market as a moral institution, not just as a means of efficient production.

Notice that this USP conforms to the old box-top contest rule: "25 words or less." *The Freeman*'s editors have never departed from this unarticulated USP. If there is a miracle of FEE, this is it.

In 1946, FEE was unique: the only non-profit organization devoted to spreading the story of the free market. It had a monopoly. That original monopoly, like all monopolies, has faded, and it has faded rapidly since the mid-1960s. There have been many imitators. This is a positive development. As Read liked to say, "You never know if your idea has been successful until someone repeats it to you without knowing where it came from."

In 1946, FEE's unstated unique selling proposition was obvious: "The world's only free-market think-tank." Of course, the phrase "think-tank" had not yet come into existence, but you get the idea. Nevertheless, that USP was highly vulnerable: as soon as FEE was imitated, FEE could no longer claim that USP. It can still claim that it was the world's first free-market think-tank, but in a culture devoted to the latest fad, this is not a particularly awe-inspiring claim. But because of *The Freeman*, FEE has not needed a USP. As the publisher of *The Freeman*, FEE has always had one.

The Moral Dimension

Leonard Read once heard a speech by one of FEE's most popular speakers, Ben Rogge (pronounced "rō-guee"). Rogge had stated something to the effect that it is a shame that socialism doesn't work, since it is a good idea ethically. According to Read's account, he challenged Rogge on this point after his speech. Read told him, and continued to tell audiences for years thereafter, that he would hate to live in a world in which a good, moral idea produces harmful results. That would mean that an idea which produces better results—the free market—could be immoral. The reason that socialism produces bad results is because it is an immoral idea. Or, as he wrote, "But even if socialism were the most productive of all economic systems, it would not meet with my approval. Socialism de-emphasizes self-responsibility, and, thus, is contrary to my major premise which is founded on the emergence of the individual."[7] This statement encapsulated Read's moral vision. Read gave FEE its operational slogan in the title of his book, *Anything That's Peaceful.*

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But a slogan is not a USP. A slogan does not convey to the observer what the organization's unique service is in the competitive marketplace.

There are numerous free-market think-tanks today. Most of them present academic extensions of formal economics, most notably the University of Chicago's department of economics. They may be oriented more toward policy than academics, as the Heritage Foundation and the American Enterprise Institute are. They may be both academic and policy oriented, as the Cato Institute is. They may be strictly academic, as the Mises Institute is. They may be ideological, as the Center for Libertarian Studies is. But none of them can say, as *The Freeman* implicitly announces in the name of FEE,

> The only organization that introduces newcomers to the idea of the free market as a moral institution, not just as a means of efficient production.

Academic free-market economics is tied self-consciously to a value-free theory of knowledge. The standard slogan is this: "Economics is not good or bad; it is either true or false." What has distinguished FEE for half a century has been its commitment to another worldview: "Economics is either true or false to the extent that it is moral or immoral." This outlook has always relegated FEE to the fringes of academic discourse. At the same time, however, it has given FEE a unique position within conservative and religious communities that are convinced that value-free anything is a myth, either an academic myth or a cover for a hidden agenda. For those who take seriously the words, "thou shalt not steal," FEE has offered a well developed body of literature to support this moral assertion. It has been doing this for fifty years.

Defenders of the free market have faced a major obstacle for over a century: the socialists and economic interventionists have always claimed possession of the high moral ground. They have been able to appeal to people's better instincts in their defense of coercive State power. They have pointed to the effects of capital shortage—poverty—and have called for programs of coercive wealth redistribution in the name of the downtrodden. This moral appeal has always been stronger than the economists' precise technical arguments regarding the two systems' comparative rates of output per unit of resource input. Even today, in the wake of the collapse of the Communist economies, socialism's moral appeal is still dominant. It asks some variation of this rhetorical question: "Would you let the poor starve?"

FEE has always responded to this moral claim in terms of a rival moral claim. It has had this moral response to socialism's rhetorical question: "The pathway to wealth, long term, is not theft but personal responsibility. Theft in the name of the poor is still theft." *The Freeman* has been FEE's monthly report: "How has political plunder failed? Let me count the ways." The goal has not been to count the ways merely to pile up examples of socialism's technical failures; the goal has been to provide evidence that coercion for noble purposes must produce ignoble results.

From the beginning, FEE has defended the market in terms of the high moral ground. In an era of pragmatism, this positioning has not impressed many academics, whether of the free-market persuasion ("value-free") or the socialist persuasion. Yet the ultimate pragmatism, in FEE's universe of moral cause and effect, should lead people to accept the high moral ground. Freedom works. It delivers the goods. Socialism fails. This failure became visible to all but hard-core Communists and socialists with the collapse of Europe's socialist economies, followed within months by the fall of the Soviet Union in 1991. Nevertheless, freedom must be defended, not because it works but because it is right. FEE's position has always been that we must not get the pragmatic cart before the ethical horse. This outlook has always distinguished FEE from its many imitators.

The Non-Miracle of the Market

FEE has never really believed in the miraculous quality of what has often been

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described as "the miracle of the free market." For teaching purposes, Leonard Read liked to speak of such a miracle, but that was because he dealt with readers and listeners who were entranced by the myth of the State. The so-called miracle of the free market has seemed miraculous to those who assume that socialism is a good idea and ought to work. The non-miracle of the market rests on this fact: personal responsibility, the desire to improve one's condition, and minimal civil government work together to allow the productivity of the most precious of all scarce economic resources, human creativity. The so-called miracle of the market is nothing more and nothing less than the outworking of "thou shalt not steal."

The miracle is not the market; the miracle is that two centuries ago, English-speaking political rulers began to change their minds regarding the supposed benefits of government coercion. Beginning in the late eighteenth century, decision-makers for the British Empire decided that less regulation might be beneficial after all. The American Revolution had persuaded them that they would have to reduce regulation in this hemisphere. Both sides decided that reduced trade barriers were necessary if both countries were to benefit. Adam Smith's *The Wealth of Nations* (1776) justified intellectually what Jefferson's *Declaration of Independence* (1776) soon produced: an international trading zone in which British bureaucrats would no longer set the terms of trade. Had they never attempted to set the terms of trade, there probably would not have been a revolution.

This was a revolutionary concept on both sides of the Atlantic in 1776. It was grounded in Jefferson's moral vision: life, liberty, and the pursuit of happiness. This concept in turn rested on the long accepted but rarely honored idea that man is responsible before God for his own actions. This moral vision includes economics but is not limited to economics. As Read wrote: "Our revolutionary concept was economic in this sense: that if an individual has a right to his life, it follows that he has a right to sustain his life —the sustenance of life being nothing more nor less than the fruits of one's labor."[8]

When this principle was progressively and haltingly put into practice on both sides of the Atlantic after the American Revolution, the "miracle of the market" appeared: the phenomenon of compound economic growth. Into the hands of the poor were placed low-cost technological wonders that were beyond the dreams of kings in 1776 or even 1906. As Will Rogers put it in the middle of the Great Depression of the 1930s, "America is the first nation where a person goes to the poorhouse in an automobile."

The Road to Unserfdom

In the words of Clarence Carson's series in *The Freeman*, the world has been caught in the grip of an idea: socialism. Our world is still in the grip of that idea. This grip is looser today than it was in 1946, and it is called something else than socialism, but it is still far tighter than it was a century ago, in that golden age described best by this phrase: "After indoor plumbing but before the income tax." Prior to World War I, as Robert Nisbet has said, the only contact that most American had with the federal government was the Post Office.[9]

Today, the promises men live by are still government promises. Whether in the field of education, health care, retirement income, or any of a hundred other areas of modern man's dependence on government, the reigning faith has not changed: In Government We Trust. This faith has been challenged, but nowhere more eloquently than in the pages of *The Freeman*. This faith has also been challenged by events. It will be challenged in the next century by the inability of governments to make good on their promises, at least not in money with today's purchasing power. This is why FEE and *The Freeman* must continue to play a prophetic role by sounding the alarm. Economic events will eventually catch up with the unchanging moral premise of FEE: thou shalt not steal. Again, this is a matter of positioning. He who sounds the alarm in advance and provides cogent testimony for

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his case is in a better position to exercise leadership in the midst of the crisis that he predicted.

Men cannot predict the future course of events. But we can say this in confidence: if certain practices continue, certain consequences will follow. We live in a universe of moral cause and effect. Bad policies will eventually produce bad results. This takes time, but it is the law of liberty. Societies break it at their peril.

Where are those who will respond to FEE's message? Where is the Remnant? We cannot know for sure, any more than most of us can remember who it was who gave us our first copy of *The Freeman*. But we can make informed guesses. We can ask ourselves this question: Who among us has begun to break with the religion of the Savior State? Who has begun to unplug from dependence on the State for his future? I suggest the following groups: (1) parents who have pulled their children out of the public schools; (2) investors who have decided that Social Security is going to default before they die; (3) users of the Internet who have begun to explore alternative sources of information; (4) churches that have never accepted the Social Gospel; (5) full-time foreign missionaries who are in the field, trying to show people a better way to live; (6) small businessmen who are tired of the government red tape that strangles them and who are ready to forfeit government subsidies to get out of the trap. Members of these groups are obvious candidates for the unofficial office, *liberator*.

Personal Evangelism

The appropriate response of any new believer is evangelism. This is why so many people have been handing out copies of *The Freeman* for over four decades. They have recognized that *The Freeman* is a means of evangelism: "good news" for people who have grown weary of the seemingly endless pleas that civil government intrude into the economic affairs of individuals.

For over four decades, *The Freeman* has offered case studies of very bad ideas, morally speaking, that have produced very bad results, economically speaking. To a lesser extent, it has offered positive case studies where liberty has worked. But in an age that is caught in the grip of the socialist idea, the economy's successes have been attributed to socialism and the failures have been attributed to the free market. This was especially true prior to the late 1960s. Even today, the welfare State—the State as healer, meaning the State as Savior—is still widely believed in by most people, though not in its more obviously tyrannical forms. To refute this error, *The Freeman* has published many articles that demonstrate that the failures should be attributed to some variant of political plunder.

Because so many people have spent their lives as targets of government propaganda, which includes the propaganda of the government school system, reading *The Freeman* has been a liberating experience. They have felt as though they have been set free. *The Freeman* has put into clear, cogent language the case for liberty. New readers have responded again and again: "I always suspected this, but I was all alone. Now I know I have allies." For some readers, *The Freeman* has served mainly as ammunition in the war against government coercion. But for others, it has been more like a religious experience: making the connection with others who share their views. In the words of one of the characters in *Shadowlands*, the movie about C. S. Lewis, "I read to know that I'm not alone." For those who do not intend to remain alone, giving away copies of *The Freeman* has been an obvious solution.

For many years, FEE sent out *The Freeman* free of charge. In recent years, FEE has limited this free subscription to three months. FEE also asks donors to provide gift subscriptions. Both approaches have advantages. The important thing is that those who want to continue to read *The Freeman* can do so, either by paying for it or, in the case of students, through the generosity of subscription donors. The evangelical impulse is valid and should be yielded to, but it must be paid for.

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What Is to Be Done? By Whom?

Leonard Read always said that improvement begins with self-improvement. Plans to reform the world must begin with plans to reform my assigned segment of the world. The answer to the question, "What is to be done?" should begin with "What am I prepared to do?" So, I can begin by asking myself these questions:

Have I made a list of people I know who might want to read a copy of *The Freeman*?

Have I bought extra copies of *The Freeman* to send out with a personally signed cover letter or to hand out personally?

Am I ready to donate money to FEE to pay for three student subscriptions?

Do I know of any private high school that might be ready to assign *The Freeman* or other FEE publications?

Do I know any physician or other professional who would place copies of *The Freeman* in his office's waiting room?

Am I prepared to sponsor a local chapter of FEE's network of discussion clubs?

Read always spoke of a majority of one: the self-governed individual. I control this majority. I have the only vote that counts. It does no good for me to curse the darkness unless I am prepared to light a candle. Am I prepared to buy a candle? Am I prepared to give away an occasional candle? *The Freeman* is a very bright candle.

Conclusion

There is no doubt that FEE is the granddaddy of the conservative movement in the post-World War II era. It has been in public service longer than any other organization. *Human Events* has been published longer than FEE has existed—by about two years—but FEE is more than a publisher, however much the success of *The Freeman* makes FEE appear to be merely a publisher. *The Freeman* has been published longer than any other libertarian journal, even if we do not view the post-1955 *Freeman* as an extension of its five-year-old predecessor. FEE has maintained its unique service proposition longer than any other organization on the American right.

Will this continue? That depends. As Leonard Read used to say, "FEE is doing just fine: it gets all the money that people think it's worth." If FEE's supporters continue to be pleased with what FEE is doing, FEE will survive. It flourished during the first two decades of Read's tenure for two reasons: first, it had an operational monopoly; second, because Read was the incarnation of a unique service proposition. He had the remarkable ability to raise lots of money without appearing to raise money, a skill he combined with his even more remarkable refusal to acknowledge any exceptions to the free market's principle of voluntarism but these: defense against violence, enforcement of contracts, and prosecution of fraud.

Unlike the other libertarian think-tanks, FEE has avoided the pitfalls of political cheerleading or behind-the-scenes policy-making. Read's original vision has been maintained. This also makes FEE unique. In what today appears to be a time of political fruit-gathering after all the decades of wandering in the wilderness, FEE's stand is clear: *anything that's peaceful.* If FEE continues to maintain this stand, it will continue to prosper. But even if FEE's non-political stand were somehow to lead to its demise, that would surely be better than the alternative. As Read would say today, "But even if political cheerleading were the most productive of all fund-raising systems, it would not meet with my approval." □

1. Leonard E. Read, *Anything That's Peaceful: The Case for the Free Market* (FEE, 1964), p. 57.
2. George H. Nash, *The Conservative Intellectual Movement in America Since 1945* (New York: Basic Books, 1976), p. 16.
3. For a brief history, see John Chamberlain, *A Life with The Printed Word* (Chicago: Regnery, 1982), ch. 12.
4. *Ibid.*, p. 27.
5. *Ibid.*, p. 30.
6. *Ibid.*, p. 14.
7. Read, *Anything That's Peaceful*, p. 46n.
8. *Ibid.*, p. 14.
9. Robert A. Nisbet, *The Present Age: Progress and Anarchy in Modern America* (New York: Harper & Row, 1988), pp. 2–3.

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"In 1977, I was serving on the board of trustees for the local Legal Aid Society, a governmental agency that provided legal assistance to poor people. I was also the local representative for the ACLU. I had no doubts that a proper function of government was to provide for those at the bottom of the economic ladder.

Then I discovered the first four volumes of Essays on Liberty, *which had been published by FEE in the 1950s. My life was changed forever. Leonard Read, Ed Opitz, Frank Chodorov, Ludwig von Mises, and others helped me to see that the welfare state and the regulated economy were morally wrong, that America had abandoned her heritage, and that the free market was the only way to achieve a virtuous and prosperous society.*

Leonard Read and FEE truly changed the course of my life. I ultimately left the practice of law to work at FEE – a dream come true! And now The Future of Freedom Foundation carries forward that same spirit of liberty that FEE lit within me."

– ***Jacob G. Hornberger***
Founder and President
The Future of Freedom Foundation

"Many free-market publications and institutions have sprung up over the past two decades, and their efforts have begun to bear fruit in the United States and around the world. Prospects for liberty are bright. They were not so bright – and the friends of liberty were not so many – when Leonard Read and FEE began their work of education in the wake of the New Deal and the Second World War.

In 1946 the battle was lonelier and harder, and the forces of interventionism seemed more forbidding. It was easy to be pessimistic. The Foundation found cause for optimism in the power of ideas and in its own quiet, steadfast dedication to principle. And for all the years since its beginning, FEE and The Freeman *have served as a resource, outlet, and inspiration, a bulwark and a beacon, to all advocates of liberty everywhere."*

– ***Andrea Millen Rich***
Howard S. Rich
Laissez Faire Books

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"FEE has been a very large and important factor in my life and in my developing an understanding of the free market and how it works.

It all began when I first met Ed Opitz over fifty years ago. He moved to FEE and introduced me to Leonard Read and The Freeman. *I then attended several FEE seminars and later was privileged to become a lecturer myself, then took my son Roger to a seminar. He soon became a member of the staff and I became an infrequent contributor to* The Freeman.

FEE has made a great and lasting contribution to freedom and has informed and strengthened innumerable proponents of America's traditional values, who at one time thought they were fighting the battle alone. God bless FEE and give it at least another fifty productive years."

— The Reverend Norman S. Ream
Estes Park, Colorado

"It is no exaggeration to say that FEE has been chiefly responsible for shaping my view of the way the world works. My first exposure to FEE began when I was a high school student and my parents formed a discussion club in Milwaukee with other parents of teenagers. When I left home for college, a gift subscription to The Freeman *accompanied me. It provided intellectual ammunition for debates with faculty and fellow students.*

Following my first year in college, I attended a summer seminar at FEE with my father. It was incredible to absorb the ideas on liberty from Edmund Opitz, Hans Sennholz, Robert Anderson, Perry Gresham, Israel Kirzner, and many others. The culmination of the seminar was Leonard Read's challenge: rather than trying to convert a resistant world, an individual should strive to become a 'wellspring of the freedom philosophy' within one's own orbit. I returned to FEE as a summer fellow and later as the director of seminars.

I congratulate the Foundation for Economic Education for keeping the light of liberty shining brightly for fifty years. May its important work continue for another fifty!"

— Roger R. Ream
Executive Vice President
The Fund for American Studies

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THE FREEMAN
IDEAS ON LIBERTY

The Freeman: Ideas on Liberty

by Paul L. Poirot

Henry Hazlitt (1894–1993), on the hundredth anniversary of his birth, most deservedly was designated "journalist of the century." He also was the last survivor of the founding trustees of the Foundation for Economic Education. The fortnightly magazine, *The Freeman*, began publication in 1950 with Hazlitt and John Chamberlain (1903–1995) as co-editors. Hazlitt continued writing for the magazine after it became the Foundation's monthly journal of ideas on liberty in January 1956. John Chamberlain, until shortly before his death in 1995, contributed a lead book review each month. So it is fitting and proper that these two giants of liberty, along with Leonard Read, be commemorated in this story of *The Freeman*, published continuously since 1950, and by FEE since 1956.

As a biweekly "subscription" magazine in the early 1950s, *The Freeman* was operating at a loss of about $100,000 annually. In order to save it, several of the trustees, also serving on the Board of FEE—Henry Hazlitt, Leo Wolman, Claude Robinson, and Lawrence Fertig—brought Leonard Read into the picture. With enthusiasm and self-assurance and the support of his board, he offered to purchase the magazine.

For a year and a half *The Freeman* appeared monthly in an 8″ × 11″ format under the editorship of Frank Chodorov. The circulation rose from 14,000 to 24,000 in that first year in Irvington, but there continued to be heavy losses for the "subscription" magazine.

At a special meeting of the trustees in November 1955, *The Freeman* was merged with FEE's *Ideas on Liberty* journal. The mailing lists were combined, and in January 1956, in a new digest size with 64 pages, the first issue of *The Freeman: Ideas on Liberty* appeared. It has been published regularly since that time, offered to all FEE donors and others who want it in the expectation that most of them will want to help cover expenses with donations to FEE.

The Freeman is the oldest and most widely circulating periodical devoted to the study of free societies. One of the principles of freedom Leonard Read brought into the Foundation was a primary emphasis on ideas rather than personalities. No name-calling or blanket condemnation of persons and organizations but a clear, nontechnical, attractive explanation of the ideas underlying the free market and limited government. Among students of liberty, the teaching would be by example and without coercion, all learning and acceptance strictly voluntary. So *The Freeman* at FEE became primarily an attractive presentation of the ideas and principles of freedom more than a news report of U.S. and international economic and political affairs. Leonard Read's ideal role for government was to police the market to keep it open, and to protect private property, leaving individuals otherwise free to do anything that's peaceful.

Dr. Poirot served as managing editor of The Freeman *from its acquisition by FEE in 1956 until his retirement in 1987.* He also served as secretary of FEE's board.

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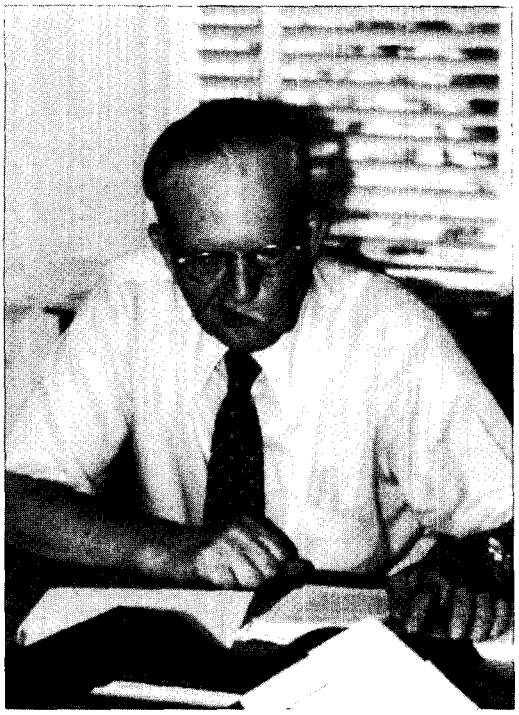

Paul L. Poirot

For the economics of freedom, Read, FEE, and *The Freeman* relied heavily upon the Austrian School writings and teachings of Dr. Ludwig von Mises. In 1938, Hazlitt introduced Mises to American audiences in a *New York Times* review of the book *Socialism*—"the most devastating analysis of the system ever written."

When Mises moved from Europe to New York City in 1940, he became a close friend of Hazlitt, of Leonard Read, and of the Foundation. Among the followers of Mises are outstanding professors such as Hans Sennholz and Israel Kirzner and a host of their students whose works also have graced *The Freeman*.

Leonard Read was the author most frequently seen in *The Freeman*, though his name appeared on the masthead not as editor but as President of FEE. The managing editor, of course was free to accept —or reject—the President's offerings. Roughly half of the articles and reviews in a typical issue would have been written by the staff of FEE, a few on some special topic by commission, and others chosen from the many free-lance submissions. Now and then an entire monthly issue might be devoted to a single topic, various authors each offering his or her special expertise, but never invited or encouraged by the editor to present opposing views. Now and then, and sometimes without alerting the editor, an astute Henry Hazlitt or Hans Sennholz or Clarence Carson would start a topic that simply had to be continued in the following issue and eventually might run to a dozen or more chapters of a book.

Many of *The Freeman* authors over the years have been distinguished academicians in their respective fields of economics, law, philosophy, political science, banking, medicine, and other disciplines. But their common mark of distinction has been the capacity to express their ideas and explanations not in the jargons of their trades but in the clear language of the layman. These experts from the academy have shared the pages of the journal with other experts from any and every walk of life, perhaps a housewife, a lawyer, a merchant, and yes, probably a thief, since there have been articles by prisoners.

The editor's guide for acceptance was the clear evidence of the author's understanding and capacity to shed special light on one or another facet of liberty. Not that editors made no mistakes. But never was there an editorial view that one "good turn," or explanation, deserves equal space or time for the contrary opinion. Financial support of the Foundation is not for the purpose of airing opinions counter to freedom.

The Freeman *in the 1960s.*

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Over the last fifteen years, editorial and opinion pages have played an increasingly important role in the discourse of the national political culture. Therefore, FEE has sought to influence public opinion through the placement of shortened *Freeman* articles as opinion pieces in newspapers in the United States and throughout the world. The articles are chosen to make a principled case for a free society.

FEE's newspaper outreach began in April of 1986 under the direction of Brian Summers, at the time Senior Editor of *The Freeman*. Mr. Summers developed and expanded the program during his tenure at the Foundation. Since January 1995, the op-ed program has been managed by Greg Pavlik, who is currently Associate Editor of *The Freeman*.

The success of the program is testament to the appeal of FEE's message. Opinion pieces based on *Freeman* articles have appeared in many of the nation's leading newspapers, from the *Washington Post* to the *Wall Street Journal*. Local and suburban papers have featured *Freeman* articles. Grassroots newsletters and magazines of various political creeds have utilized Foundation material. *Freeman* articles have even appeared in the religious press. Through this program, the Foundation has reached a vast spectrum of audiences across the country. Every month, millions of readers across the country are exposed to the Foundation's message. And the number of papers that use material from FEE continues to grow.

The latest area of expansion for FEE's newspaper program has been in its international efforts. Many articles from *The Freeman* have been adapted to highlight the benefits of a free market economy to readers around the world. Translations of *Freeman* articles—prepared at FEE—have appeared in Spanish-language newspapers throughout Central and South America. The demand for essays from *The Freeman* has been explosive. From Argentina to Guatemala, the message of freedom is spreading.

Perhaps the most impressive sign of the effectiveness of FEE's newspaper outreach effort is the feedback from individuals who contact the Foundation as a result of a *Freeman* essay they have read in their paper. Many readers request information about FEE and subscriptions to *The Freeman*. Some just write to thank FEE for having the courage to stand on principle.

I had joined the staff of FEE in 1949 and served as managing editor from 1956 until my retirement in 1987. Other members of the Foundation staff, in addition to contributing articles, were often consulted about manuscripts under consideration.

The scholarly Reverend Edmund Opitz served as book review editor and stood always at hand to lend moral and spiritual guidance. He also had a firm understanding of economic issues.

Mrs. Bettina Bien Greaves was well schooled in "the gospel according to Mises," helping to look for "leaks" in any article. She also was the expert expected, and willing, to research any questionable fact or opinion.

W. M. Curtiss saw to business and financial affairs to cover authors' fees, printing bills, and other costs of *The Freeman*. He also had the time and wisdom to help decide which articles seemed best.

Robert Anderson gave up college teaching to rejoin the staff as business manager when Curtiss retired. Like Curtiss, Bob found time now and then to draft an article, always excellent. After Leonard Read's death in 1983, Bob was there to help hold the standard during a succession of presidents until Dr. Sennholz agreed to assume that position. But perhaps the outstanding contribution Bob Anderson made to *The Freeman* was to bring Beth (Herbener) Hoffman aboard as production editor. Eventually she became managing editor, with guest editors now helping to compile each issue.

Brian Summers worked with Beth as co-editor for a time, developing a rapport with newspapers and other publications in the United States and abroad that were

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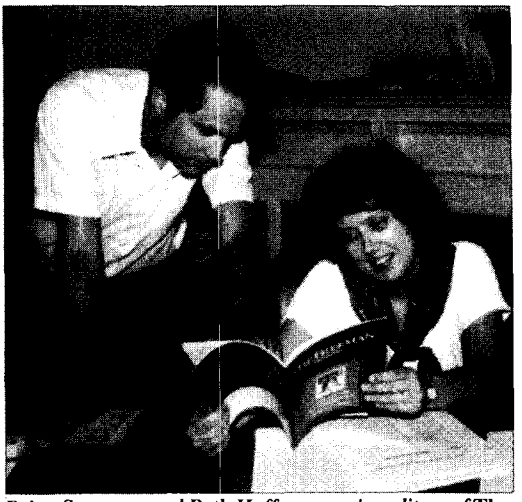
interested in reprinting *Freeman* articles. One of his contacts was with *Reader's Digest*, which eventually offered him more as an associate editor than FEE could afford.

Aside from the memory banks of a Beth or a Bettina, there has been no cumulative index of topics covered in the pages of *The Freeman*. But the value of those back issues as a reference shelf is not to be denied. This is why numerous readers over the years have spoken with pride of their monthly files, or annual bound volumes, or both. The reader fortunate enough to have accumulated a complete set since 1956 now possesses a total of 485 issues, or more than 30,000 pages or over 14 million words of text skillfully crafted into essays by more than 1,400 different authors explaining the many aspects of freedom.

Dr. Clarence Carson is one of those who has written articles in a series in *The Freeman*. Early on, he offered *The American Tradition* with chapters on constitutionalism, republican government, federalism, individualism, equality, rights and responsibilities, voluntarism, free trade, internationalism, virtue and morality, and so on. In a sense, his list covered the subjects most often tackled in *The Freeman*. In a later series, he described *The Flight from Reality*, the departure from tradition, beginning in the mind of the reformer—the intellectual turn—then emerging as the domestication of socialism, capturing and remaking the hearts of men, and finally manifesting as a political flight.

In more recent years, especially at the nudging of Dr. Sennholz, FEE has published a regular series of *Freeman* "classic" books. Each volume is devoted to a given subject and draws from the wealth of knowledge contained in some forty years of *The Freeman*. Having started with *The Freedom Philosophy*, the series contains books covering a wide range of ideas, including: the moral foundations of capitalism, political interventionism, individual spirit, free trade and world peace, the formation and function of market pricing, money, inflation, banking, private property rights, taxation, conservation of resources, education, medical care, agriculture, unionism, crime, and more.



Brian Summers and Beth Hoffman, senior editors of The Freeman *during the 1980s.*

The Freeman since 1950 consistently and continuously has stood against the fallacies and clichés of politics, not by bitter denunciation, but by reasoned and attractive explanations of the better way of limited government, private ownership, voluntary exchange, moral behavior, and self-improvement. The golden rule of the marketplace is that the person who gains most is one who best serves others. □

An Honor Roll of all Freeman *authors published since 1956 appears on pages 412 to 416. We salute these writers for their commitment to sound economic education and the principles of a free society.*

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THE FREEMAN
IDEAS ON LIBERTY

The Function of *The Freeman*

by Henry Hazlitt

Editor's note: Henry Hazlitt wrote this piece several years after he and others revived The Freeman *in 1950. Although it pre-dates the magazine's merger with FEE's* Ideas on Liberty, *Hazlitt's message faithfully reflects the continuing mission of FEE and* The Freeman.

On the positive side, of course, our function is to expound and apply our announced principles of traditional liberalism, voluntary cooperation, and individual freedom. On the negative side, it is to expose the errors of coercionism and collectivism of all degrees—of statism, "planning," controlism, socialism, fascism, and communism.

We seek, in other words, not only to hearten and strengthen those who already accept the principles of individual freedom, but to convert honestly confused collectivists to those principles.

A few of our friends sometimes tell us that a periodical like *The Freeman* is read only by those who already believe in its aims, and that therefore we believers in liberty are merely "talking to ourselves." But even if this were true, which it isn't, we would still be performing a vital function. It is imperative that those who already believe in a market economy, limited government, and individual freedom should have the constant encouragement of knowing that they do not stand alone, that there is high hope for their cause. It is imperative that all such men and women keep abreast of current developments and know their meaning in relation to the cause of freedom. It is imperative that, through constant criticism of each other's ideas, they continue to clarify, increase, and perfect their understanding. Only to the extent that they do this can they be counted upon to remain true to a libertarian philosophy, and to recognize collectivist fallacies. Only if they do this can the believers in freedom and individualism hope even to hold their ranks together, and cease constantly to lose converts, as in the past, to collectivism.

But the function of a journal of opinion like *The Freeman* only begins here. The defenders of freedom must do far more than hold their present ranks together. If their ideas are to triumph, they must make converts themselves from the philosophy of collectivism that dominates the world today.

A Lesson from the Enemy

They can do this only if they themselves have a deeper and clearer understanding than the collectivists, and are able not only to recognize the collectivist errors, but to refute them in such a way that the more candid collectivists will themselves recognize, acknowledge, and renounce them as errors. A friend of free enterprise is hardly worth having if he can only fume and sputter. He must know the facts; he must think; he must be articulate; he must be able to

Henry Hazlitt (1894–1993), author of Economics in One Lesson, The Failure of the "New Economics," *and other classics, was a founding trustee of FEE.*

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convince. On the strategy of conversion, our side can take at least one lesson from the enemy. The task of the Bolsheviks, Lenin once wrote, is "to present a patient, systematic and persistent analysis." And our own cause, the cause of freedom, can grow in strength and numbers only if it attracts and keeps adherents who in turn will become, not blind or one-eyed partisans, but enlightened and able expositors, teachers, disseminators, proselytizers.

To make this possible, it is essential that there should exist a prospering periodical with the aims of *The Freeman*. We must restore "conservatism" and the cause of economic freedom to intellectual repute. They have not enjoyed that repute, in the eyes of most "intellectuals," for many years—perhaps since the beginning of the twentieth century.

"We are all Socialists now," said Sir William Harcourt in 1894, and he was not joking as much as his listeners, or he himself, supposed. We must never forget that, in the long perspective of human history, "capitalism"—i.e., individualism and a free-market economy—is the newest form of economic organization. Communism is the most primitive form; it is as old as primordial man. Feudalism, a regime of status; rigid State and guild control; mercantilism; all these preceded the emergence of economic liberty. Socialism as a self-conscious "intellectual" movement came into being a century and a half ago with such writers as Saint-Simon, Owen, and Fourier. In its Marxian form it made its official debut, so to speak, in the revolutions of 1848 and in the *Communist Manifesto* of the same year.

And it was not, contrary to popular myth, the proletarian masses or the starving millions who were responsible for either originating or propagating socialist ideas. It was well-fed middle-class intellectuals. This description applies not only to Marx and Engels themselves, but to the epigoni, and to the literati who were chiefly responsible for parroting and popularizing the socialist doctrines. Intellectual hostility to capitalism was made fashionable by the Carlyles and Ruskins of the nineteenth century, and later by the Fabians. Since the beginning of the twentieth century it has been difficult to find an outstanding novelist or playwright, from Bernard Shaw to H. G. Wells, or from Anatole France to Andre Gide, who did not proudly proclaim himself a Socialist.

The late Lord Keynes, in the last pages of *The General Theory of Employment, Interest, and Money*, a book not always distinguished for wisdom or sense, pointed out one fact that is profoundly true.

> The ideas of economists and political philosophers [he wrote] both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

The irony and tragedy of the present is that Keynes himself has become the chief "academic scribbler" and "defunct economist" whose ideas dominate the "madmen in authority" and the intellectuals today. The restoration of economic, fiscal, or monetary sanity will not be possible until these intellectuals have been converted or (to use a word coined by Keynes himself) debamboozled.

The Influence of Intellectuals

Who are the intellectuals? They include not merely the professional economists, but novelists, playwrights and screen writers, literary and music critics, and readers in publishing houses. They include chemists and physicists, who are fond of sounding off on political and economic issues and using the prestige gained in their own specialty to pontificate on subjects of which they are even more ignorant than the laymen they presume to address. They include college professors, not merely of economics but of literature, history, astronomy, poetry. They include clergymen, lecturers, radio commentators, editorial writers, columnists, reporters, teachers, union leaders, psychoan-

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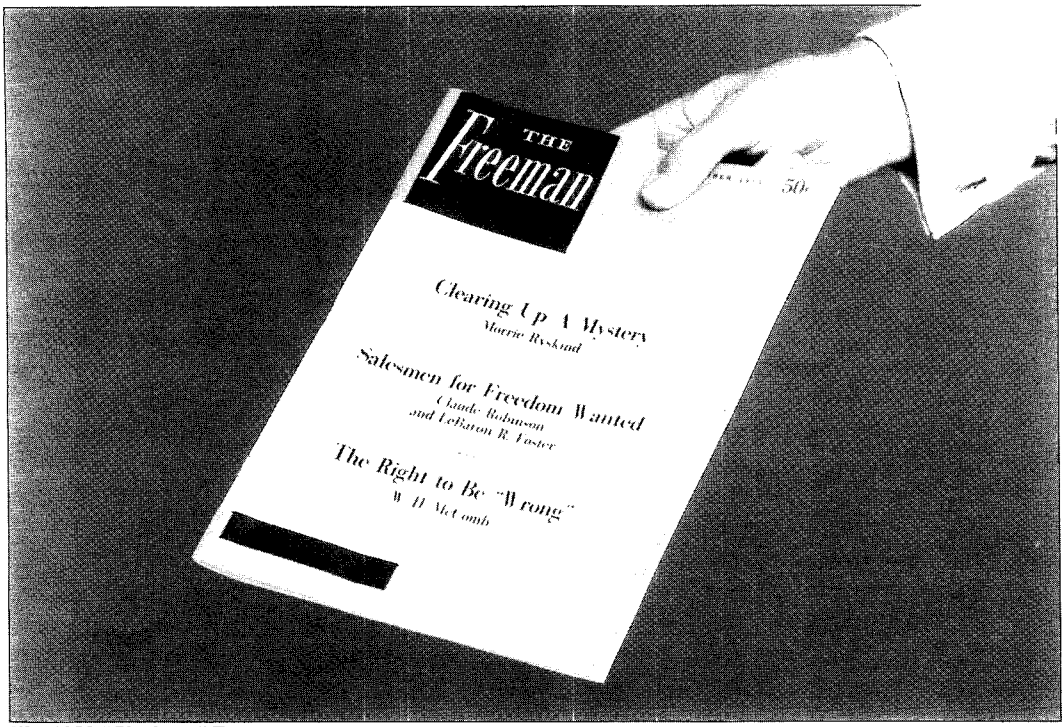

The 1955 "Chodorov" **Freeman.**

alysts, painters, composers, Broadway and Hollywood actors—anybody and everybody who has gained an audience beyond that of his immediate family and friends, and whose opinions carry kudos and influence either with other intellectuals or with the man on the street.

To consider this group of intellectuals is to recognize that it sets the fashion in political, economic, and moral ideas, and that the masses follow the intellectual leadership—good or bad—that it supplies. Clearly also there is a hierarchy within this hierarchy. The ballet dancer, say, gets his ideas from the pages of *The New Yorker*, and *The New Yorker* from some vague memory of Veblen; the popular leftist novelist gets his notions from *The Nation* or the *New Republic*, and these in turn from the Webbs, the Harold Laskis, or the John Deweys.

The hopeful aspect of this process is that it can also be used to revise or reverse ideas. If the intellectual leaders, when they go wrong, can have a great influence for harm, so, when they are right, they can have a great influence for good. When we consider the immense practical influence for evil that has been exercised by Karl Marx's *Das Kapital*, we should also recall the immense practical influence for good exercised by Adam Smith's *The Wealth of Nations*. If the intellectual leaders can themselves be converted or reconverted, they can be counted on, in turn, to take care of the task of mass conversion. For the masses do respect and follow intellectual leadership.

Above all, we must keep in mind the rising generation, which will comprise both the future masses and the future intellectual leaders, and whose ideas and actions will be heavily determined by what they are taught today.

Few practical businessmen realize how economic and social ideas originate and spread, because they are not usually themselves students or readers. It is perhaps unrealistic to expect them to be. There is a necessary division of labor in society, and most businessmen have enough to do in improving their particular product to satisfy consumers, in reducing costs and in meeting competition. But one result of the preoccu-

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pation of business leaders with their own immediate problems is that they hardly become aware of the existence and power of ideas—conservative or radical—until some legislative proposal that would destroy their business is put before Congress, or until the labor union in their own plant makes some ruinous demand. Then they are apt to think that this demand comes from the rank-and-file of the workers, and that it can be answered by some statistics showing the smallness of profits compared with wages.

But usually neither the assumed origin nor the assumed cure is correct. The demands come, not from the working rank-and-file, but from labor leaders following a suggestion thrown out in some college classroom, or by some radical writer; and the practical businessman, even though he knows the immediate facts of his own business, finds himself at a heavy disadvantage in these controversies because he cannot answer, and perhaps is even unaware of, the *general premises* on which the contentions of those hostile to business really rest.

These general premises, seldom explicitly stated or even clearly formulated by those who reason from them, form part of the climate of opinion in which particular radical proposals come to growth. Even competent experts in their special fields are usually not aware that some proposal they are combatting is merely part of a whole system of thought. That is why their arguments against it, often unanswerable in detail, are as often ineffective. It is a comprehensive though confused philosophy that we have to meet, and we must answer it by an equally comprehensive philosophy. Above all we must combat the superstitious belief that the coming of socialism is inevitable.

It is the aim of *The Freeman* to address itself specifically to the leaders and molders of public opinion and to thinking people everywhere, in order to help create a healthier climate for the preservation of free enterprise and the liberty and moral autonomy of the individual. It is our aim to point out the fallacies in the basic premises of the collectivists of all degrees up to the totalitarian.

It is our aim, above all, to expound the foundations of a philosophy of freedom. □

"I shudder to think what the state of the world might now be if it weren't for the efforts of FEE and the great work it has done on behalf of liberty and the achievement of the civil society. IHS probably would not exist. And most likely, many of the other organizations that were either inspired by or spawned directly from FEE would not exist either.

The impact of FEE, its publications, and its people is indeed impossible to calculate and easy to underestimate. I wish you continued great success and an additional fifty years of influence. But only fifty more years – because by then I hope the great work of FEE will be completed."

– David C. Nott
President, Institute for Humane Studies

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"In 1946, when FEE was founded, it was almost the only source of ideas supporting the free market and individual liberty. At that time I was fully in the free market camp, but I was also of the school that we had to raise lots of money, put up good political candidates, and elect much better people to government!

One of the most important ideas I absorbed from Leonard was that to achieve the highest ends, one must use only the highest means. You cannot achieve a great end by using forceful means.

It is so heartening to witness the explosion of think tanks promoting our ideas. It is equally gratifying to see the numbers of college students who reject the heavy diet of political correctness almost universally being taught in this country's colleges and universities. Of course, most of these students will try first for the quicker political solution, but it is wonderful how many are aware of the power of good ideas. Stay the course on the high road and you will help make a better world. In the long run the best ideas, well explained, will carry the day."

— Lovett C. Peters
Pioneer Institute

"I am delighted that FEE is continuing its unique role of introducing people to free-market economics, in the form of thoughtful articles that relate directly to real-world issues and concerns.

In my own case, The Freeman *was the lifeline I grasped in order to survive two semesters of Paul Samuelson mathematical economics at MIT.*

In a very significant way, The Freeman *introduced me to the world of free-market public policy, in whch I was ultimately to make my career with* Reason *magazine and the Reason Foundation. For this I owe FEE an enormous debt of gratitude."*

— Robert W. Poole, Jr.
President, Reason Foundation

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THE FREEMAN
IDEAS ON LIBERTY

The Foundation for Economic Education: Success or Failure?

by Benjamin A. Rogge

The question before us is this: Has the Foundation for Economic Education, in its first twenty-five years, succeeded in its mission? Most speakers on such occasions are capable of supplying only one answer to such a question. Tonight, at no extra cost to you, I intend to give you *four* answers to this question. They are in order: yes, probably no, almost certainly no, and unqualifiedly yes. Are there any questions?

The reason I can give you four answers to this one question is that the phrase, "succeeded in its mission," is capable of at least four meaningful interpretations, each calling for its own answer.

One possible interpretation is that the mission of any organization, at first instance, is quite simply to survive. That FEE has survived is testified to by our presence here tonight. Nor should any of us think lightly of this accomplishment. Given the general social and economic climate of the immediate postwar period, the survival chances of any organization committed to individual freedom and limited government could well have been described in 1946 as two in number: slim and none.

So much, you might think, for the criterion of mere survival—but survival is not as "mere" as you might think. Never underestimate the significance of the simple fact of the continuing existence of an island of sanity in an increasingly insane world. Whether this sanity can eventually turn the battle is still moot and will be discussed in a moment, but its simple existence is a very present help in time of trouble.

I am reminded of Tolstoy's description of the role of the Russian commander, Prince Bagration, in the battle of Schön Grabern. Although himself in doubt of the outcome and aware of how little he really knew of the battle's progress, the Prince stood serene and confident in the view of all, answering each report of the action, whether encouraging or discouraging, with a sonorous, "Very good!"—as if even the local defeats were part of an overall pattern of events that foretold ultimate victory. As Tolstoy put it:

> Prince Andrew noticed that . . . though what happened was due to chance and was independent of the commander's will, his [Bagration's] presence was very valuable. Officers who approached him with disturbed countenances became calm; soldiers and officers greeted him gaily, grew more cheerful in his presence, and were evidently anxious to display their courage before him.[1]

As with these soldiers, we grow more cheerful in the presence of FEE and Leonard Read, more anxious to display our limited courage. Believe me, this is something; even though the battle itself were to

Dr. Rogge (1920–1980) was Dean and Professor of Economics at Wabash College in Indiana and a long-time trustee of FEE. This essay is an adaptation of his remarks at FEE's twenty-fifth anniversary celebration in 1971.

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Summer seminar group picture, July 1966. Lecturers and FEE staff (front row, left to right): W. M. Curtiss, George Roche (director of seminars), Edmund Opitz, Percy L. Greaves, Jr., Bettina Bien Greaves, Ben Rogge, Paul Poirot, and Leonard Read.

be already lost, as it well may be, FEE as the island of sanity to which we repair for warmth and comfort, may still be counted a great and significant success.

A second way to evaluate an organization is to examine its chances for survival in the long run. Do we have here an organization so significant and successful that it will live through the centuries (or at least the decades) ahead?

Not only do I answer, "Probably no," to this question but I add "and I hope not" to that answer. The real danger to an organization of this kind is not that it will simply disappear, but that its *form* will long survive its *soul*.

Do not misunderstand me; I am not forecasting an early end to FEE. It is true that even Leonard Read is not immortal, but Read's leaving will not mean the end of this organization. It will carry on, and for *x* number of years continue to be a center of strength in the cause of freedom.

But times change, and people change, and institutions change; it is as certain as death itself that sooner or later FEE will be, in spirit, something quite different from what it now is. Moreover, the chances are that that spirit will be significantly alien to the spirit that now moves this organization.

When that day comes, if any of us are still around, let us have the courage and good sense to give FEE a decent burial, rather than yield to a pagan attachment to a body from which the spirit has already fled. The world of organizations is cluttered with deformed and defaming relics of noble causes; let FEE not be one of them.

Turning the Tide

We turn now to a third possible interpretation of success as it relates to the work of FEE. Has FEE succeeded in its mission in the sense of being a part of an action that promises to actually turn the tide of battle in the direction of freedom? My answer to this is, "almost certainly no."

I offer this not as a criticism of the work of FEE but as what seems to me to be the only realistic appraisal of where the current of events is tending in this world. The

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situation in this world, as it relates to individual freedom, is almost certain to become much worse, before *and* if it ever becomes any better. Why must I adopt this apparently defeatist line and on this should-be gladsome occasion in particular?

My own none-too-original analysis of the trend of events tends to bring me into agreement with the many friends and foes of capitalism alike who believe that the odds are very much against the survival of capitalism in the decades immediately ahead of us.

This is not the time or the place for a detailed presentation of the analysis that leads me to this conclusion. Moreover, my thesis has been more cogently reasoned and more ably presented in the works of Schumpeter, Mises, Hayek, Popper, and others.

I offer only the following straws in the wind. First, there is the incredible recrudescence of the most primitive forms of utopianism. Young people (and old) possessed of superior intellectual equipment (as measured by aptitude tests) are every day repeating to me, in one form or another, the chiliastic musings of Marx in his *German Ideology*:

> In communist society, where nobody has an exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind.

I am not surprised to find that the young are enchanted by visions of a do-your-own-thing New Jerusalem, complete with almost continuous love-play; after all, even the brightest of the young tend to think largely with the heart and the loins. What shocks me is that supposedly mature scholars either encourage them in their daydreaming or hesitate to bring their schemes to full and vigorous and rational challenge.

Nowhere is this denial of reason, of process, of rational choice more clearly revealed than in the approach of the more demented environmentalists. In one of the best critiques of this approach I know, an article in *The Public Interest*, the author writes as follows: "Those who call for immediate action and damn the cost, merely because the spiney starfish and furry crab populations are shrinking, are putting an infinite marginal value on these creatures. This strikes a disinterested observer as an overestimate."[2]

But the voice of reason is rarely raised and is shouted down by the new romantics (and the new barbarians) as soon as it is raised.

Lady Chatterley's lover, once a hero of the young and the teachers of English literature for his sexual acrobatics, is now their hero as the man who said, "It's a shame, what's been done to people these last hundred years: men turned into nothing but labor-insects, and all their manhood taken away. . . . I'd wipe the machines off the face of the earth again, and end the industrial epoch absolutely, like a black mistake."

It is symptomatic of the times that a call like this for over 90 percent of those now living in the Western world to be wiped out (for such would be the effect of such a proposal) is hailed as a voice of humanitarianism and love, while those who dare to offer even gentle caveats are derided as gross and disgusting materialists.

So much for the treason of the intellectuals, a treason that Mises and Hayek and Schumpeter forewarned us of, and one that is now largely a fact. If FEE is to be judged by its success in swinging the intellectual vote, then it has failed indeed.

What of the businessman? Surely FEE and its companion organizations have been able to make secure for freedom this section of the American public! At this point, it is difficult to know whether to laugh or cry. There is not one piece of lunacy put on paper by some academic scribbler or spoken by some public demagogue that is not to be found in at least one, if not more, of the published statements of the self-designated spokesmen for the business community. For reasons that I don't have time to develop here, it is also clear that the larger the firm, the more certain is its leaders' commitment or at least lip service to the philosophy of

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On an airplane trip in 1980, Ronald Reagan took time to read The Freeman, *while Mrs. Reagan napped.*

statism. Study the changing character of the business firms that have contributed to FEE over the last twenty-five years. In the first years, at least a dozen of the largest, best-known firms in this country were making direct contributions to FEE. Less than a handful are still on the list of donors. Those socialists and those defenders of capitalism who expect the average American businessman to put up a desperate fight in defense of the system are simply out of touch with the situation as it really is.

Yes, even the businessman is more likely to be a part of the problem than a part of the solution, and FEE's failure, so judged, could not be more obvious or complete. But of course, contrary to the popular impression, there is no reason to expect the businessman to be more committed to the system of economic freedom than anyone else. Not only is he *not* the greatest beneficiary of that system—he is not even the *principal* beneficiary. Again contrary to the popular impression, it is the "little man," the member of the masses who, far from being the exploited victim under capitalism, is precisely its principal beneficiary. Under all other arrangements, those possessed of intelligence, high energy, and a strong desire to achieve (i.e., precisely those who tend to become the entrepreneurs, the businessmen under capitalism) get ahead by using their positions in the political or caste or religious hierarchy to exploit the masses. Only under capitalism can the stronger get ahead only by serving the weaker—*and as the weaker wish to be served!* (Ralph Nader to the contrary.)

The strong tend to survive and prosper under any system, and strength does not necessarily carry with it a sophisticated understanding of systems. The American businessman has probably been, on balance (wittingly or unwittingly), the most important single force working against the capitalist system.

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This brings us to another of the straws in the wind. If further evidence of where we seem to be headed is needed, I offer you the current [Nixon] administration in Washington, D.C. It is manned by a number of intelligent, capable public servants of roughly conservative outlook and headed by an intelligent, well-meaning man of sound conservative instincts [*sic*]. Yet I am prepared to wager that history will reveal that no administration in modern times did more to move the country away from freedom and toward socialism and authoritarianism than the one now in power. I say this in sorrow, not anger, sorrow at the fact that the prevailing ideology of the day traps even the apparent foes into serving its cause, once they acquire political power. If the prevailing climate is interventionist, a conservative administration will not only be compelled to serve that climate of opinion but will be able to command a larger consensus for interventionist actions than an openly left-wing administration could ever command. In addition, the man on the street (who, in my opinion, also has generally conservative instincts) is less on his guard when a group identified as conservative is in power—and is thus largely unaware as one socialist scheme after another is imposed upon him.

In other words, wherever we look—to the intellectuals, to the businessmen, to the political leaders—we find the score to be Lions, 100; Christians, Zero. If FEE's mission has been to win such games in the here and now, then it is indeed a one-hundred carat failure. Not only has FEE not turned the tide of battle, the situation in this country has gotten steadily worse in every one of the last twenty-five years and promises to get even worse in the next twenty-five.

Am I predicting that we are inevitably headed for a great, all-encompassing crisis at some time in the next few decades? I am not. In the first place, nothing is inevitable. What has happened has happened because of decisions made by human beings and could be undone by the decisions of human beings in the years ahead. I am simply saying that if things continue to go as they have been going (as seems likely), we are going to move further and further away from reasonable prosperity and substantial freedom, and toward stagnation and authoritarianism.

If any of you have seen FEE's mission as that of winning now and winning big, then you have no choice but to label it a failure. But as I have understood him, his thinking, and the organization he brought into being, I have always believed that Leonard Read saw his mission as something quite different from (and quite superior to) that of winning tomorrow's election or next week's idea popularity poll. He seems little interested in triumphs as spectacular and as short-lived as the hula hoop.

Again let us be honest with each other. I suspect (I know) that this aspect of FEE's thinking has been occasionally irritating to many of you and particularly to the more activist-minded of you. Read must have been about as satisfying to you at times as would be a football coach at your alma mater who asked for fifty years to do a rebuilding job with the team. Who knows, they might not even be reporting the scores to the local papers where Rogge and Read and many of you will be fifty years from now. You would like to see (and in person) the old scoreboard light up and read, Christians, 100; Lions, Zero. If that really is your goal, then you are at the wrong dinner for the wrong man.

Not only does Read not promise us a win in the *near* future; not only does he not guarantee us a win in the *distant* future; he has the unmitigated gall to tell us that we still don't even fully understand the game or how to recognize a win when we see one. Finally, he refuses us even the consolation of the assurance that while *we* may not know the full truth, *he* does and will tell us all about it. Stop worrying about such things, he tells us; "the readiness is all." Here are some typical statements from this strange and difficult man:

> Not a man among us is entitled to look down his nose at any other; scarcely anyone has more than scratched the surface. And there are reasons aplenty: the complexities of this subject are akin to the mysteries of Creation.

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> Always skeptical of activist efforts, I have, until this moment, agreed that our own work has only long-range prospects—preserving the remnant, as it were. Now I see it the other way around; the chance of getting results here and now lies exclusively in the study and exposition of ideas on liberty.
>
> The freedom idea is in fact a recent, idealistic, elevated acquisition of the human mind. Not being rooted in tradition and having little in the way of second-nature behaviors working for its security, it lacks stability; it is easily lost; freedom concepts are fragile, wonderful ideas, few of which we've yet embraced by second nature within our relatively unconditioned consciousness.
>
> Freedom will always be insecure; it will forever be touch-and-go. Even eternal vigilance and devoted effort can do no more than to set the trend aright, as high an aim as we should embrace. And this expectation is warranted only if we view our problem realistically, see it as profound and difficult as it really is. To assess it superficially, to think of it as requiring anything less than practices consonant with freedom becoming second nature, is to waste our time and energy, to spin our wheels, as the saying goes.
>
> Is this too dismal a prospect? Not to those among us who enjoy a challenge; it's magnificent!

How can he call magnificent a challenge where the odds-makers have installed the Lions as 100-point favorites? Because, he tells us, "it is the effort, not the outcome, that counts in the life of the human being." "Cervantes' 'The road is better than the inn,' should serve to remind aspiring men that there isn't any inn for them, but only the road, now and forever. It is the effort along the trail that matters."

The Measure of Success

And now the final interpretation of the phrase "succeeded in its mission": Leonard Read's *own* definition of how the success of a FEE (of a Leonard Read) should be measured:

"To measure a teacher's success, to evaluate his work, one must ask: Does the teaching induce in others what Aristotle termed 'activity of soul'?"

It is to this question that the final and unqualified and only significant "yes" can be given. Throughout this country, throughout the world there is "activity of soul" underway that would never have been undertaken but for the work and the inspiration of Leonard Read and the Foundation for Economic Education. Some of it all of us in this room know about and can identify with FEE; some of it is known to only one or two of those in this room; the greater part, and probably the most important part, is totally unknown as yet to any of us (including Leonard Read) and will come to light only in the decades and centuries ahead—and much of it will be done by people who will never have heard of this foundation and will have no awareness that the activity of soul in which they are involved is the last link in a long chain that goes back to something that was started by this foundation in the middle of the twentieth century.

I close with a piece of verse that seems to me to capture what I have been trying to say. It is from the remarkable poem by W. H. Auden, "September 1, 1939," written at another dark moment in the history of the Western world. Here is the final stanza:

> Defenceless under the night
> Our world in stupor lies;
> Yet dotted everywhere,
> Ironic points of light
> Flash out wherever the Just
> Exchange their messages:
> May I, composed like them
> Of Eros and of dust,
> Beleaguered by the same
> Negation and despair,
> Show an affirming flame.

For these twenty-five years of showing a brilliant and never-failing and affirming flame, our most serious and total appreciation, Mr. Leonard Read. □

1. Tolstoy, *War and Peace*, Inner Sanctum ed., p. 193.
2. Larry Ruff, "The Economic Common Sense of Pollution," *The Public Interest*, Fall 1970, p. 74.

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"Among the many and substantial contributions we Argentinians owe to our close friend and benefactor Leonard Read is the Centro de Estudios sobre la Libertad and the Graduate School in Economics and Business Administration (ESEADE). My son, Alberto Jr., is one of the founders and Dean of ESEADE, where younger generatons are taught to successfully defend the noble cause of the philosophy of freedom."

— Alberto Benegas Lynch
Buenos Aires

"The work of all those involved with the Foundation for Economic Education has had a profound impact in my personal and professional life. In the early '70s the father of one of my closest friends gave me a copy of a small book he wrote about markets and the existence of a natural order. The book included many citations from authors well known to FEE, as well as the writings of leading Argentine classical liberals. Free-market books were published by the Centro de Estudios sobre la Libertad, an Argentine organization which was conducting programs similar to those at FEE and translating some of its books. It was then that I first heard about FEE, especially from Dr. Alberto Benegas Lynch, head of the center.

By the mid-seventies, I was reading one FEE book per month. At this time, there were only a handful of young Argentine liberals, and I became the head of the only youth organization of that political orientation. Meeting Professor Hans Sennholz would be a turning point in my life. I was asked to translate his presentation at several events with Argentine VIPs.

Dr. Sennholz never forgot us. Two years after our encounter, he offered a scholarship to study at Grove City College and I was chosen to go. Almost twenty Argentine students have followed in my footsteps. After going to Grove City, many of us went back to teach at leading Argentine universities, using material from FEE for our classes."

— Alejandro A. Chafuen
President, Atlas Economic Research Foundation

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"During 1968 I received a scholarship from FEE to work on my doctoral dissertation. I participated in a program on political economy and philosophy of government organized by FEE. At that time I met Leonard Read, Henry Hazlitt, and Hans Sennholz, whose lessons taught me the way. I also had the chance to study under Ludwig von Mises, whom I had met nine years earlier when he was invited by my father to lecture at the University of Buenos Aires.

ESEADE is a private institution where we conduct four Masters Programs; we have a research department and publish a journal 'Libertas.' ESEADE is based on FEE's freedom philosophy for an open society. The example set by FEE's staff has been imitated also by other institutions throughout the world."

— ***Alberto Benegas Lynch, Jr.***
Dean, ESEADE
Buenos Aires

"Leonard Read liked repeating that when you disseminate ideas at random you cannot predict where they will find fertile soil. In Latin America FEE's strongest initial influence was in Argentina, Mexico, and Guatemala, where small think-tanks were formed in the image of FEE.

Eventually, in Guatemala the number of freedom-loving friends was sufficient to start the Universidad Francisco Marroquín, a liberal arts school with close to 5,000 students, all of whom must attain a basic background in the philosophy and economics of the free society. Graduates of our university have started their own influential institution, write in newspapers and magazines, and by our example, friends in other Latin countries have been encouraged and helped to do likewise. It all started at FEE."

— ***Manuel F. Ayau***
President Emeritus
Universidad Francisco Marroquín

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"The writings of Leonard Read, and of countless others whose insights are recorded on the pages of The Freeman, were profoundly helpful in clarifying my own thinking about the importance of advocating a politics of principle.

FEE's 'libertarianism' has had particular appeal to me because, thanks to Edmund Opitz and others, it was rooted implicitly in acknowledgment of God's sovereignty and the authority of His law-word as its presuppositional basis."

— Howard Phillips
President, The Conservative Caucus Research, Analysis & Education Foundation

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"For fifty years FEE has contributed to the development of the libertarian movement worldwide. Its handful of staff members and numerous friends have been remarkably successful in helping to turn the tide away from the supposedly inevitable trend toward socialism and into the swift stream of capitalism.

After World War II, I returned home from China with grave doubts about economic controls but with little real understanding of the problem. I had witnessed unforgettable hyper-inflation in Shanghai caused intentionally by two officers in charge of issuing banknotes. When I first read The Freeman *and Mises'* Human Action, *I felt as though the scales had fallen from my eyes. Soon I started propagating FEE's ideas in Kochi, my native town.*

In 1959–60, I had the privilege of staying at FEE while studying under Mises at NYU. I then met Dr. Hans Sennholz for the first time at a FEE meeting.

When I became Dean of Yokohama College of Commerce, I admitted a Chinese student from Beijing to our institution. In doing this I was reciprocating what FEE had done for me. No other colleges or universities in Yokohama had foreign students then. Today, we have nearly fifty such students from various parts of Asia.

Over the years, more than ten thousand students have attended my classes. I translated Human Action *into Japanese, along with other books by Mises and various essays from* The Freeman. *I have written many articles on free-market economics.*

I introduced FEE to Dr. Byung-Ho Park of Hankuk University of Foreign Studies in Korea, and he organized an institute for studies in liberty. I also introduced FEE to the late Dr. Takashi Urata, who organized a seminar in freedom. After his death, he was succeeded by Motofumi Kuze. The Urata-Kuze Seminar has held meetings in Tokyo every month for more than fifteen years using FEE materials as texts.

My joy is doubled this year, because I am celebrating not only the fiftieth anniversary of FEE but also the fiftieth anniversary of my own marriage to my wife, Meiko. She joins me in sending congratulations."

— Toshio Murata
President, Yokohama College of Commerce

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"Getting acquainted with FEE – liberty's Gibraltar for the past half-century – was a turning point in my life. It was in 1952, give or take a year, that George Reisman, my buddy at the Bronx High School of Science, and I were invited to meet the staff in Irvington.

When we arrived, no one could have been kinder and more gracious to this pair of callow youths – we were welcomed into the fraternity by Baldy Harper, Paul Poirot, Ivan Bierly, Bettina Bien (as she was then), Leonard Read, Henry Hazlitt (who happened to be present), and all the others.

The vision that FEE conveyed to me then and ever after – of a world founded on private property, free markets, and peace, a world well worth devoting a lifetime to fighting for – became my lodestar.

On FEE's fiftieth anniversary, a heartfelt thanks for what you have meant for me and for lovers of freedom everywhere."

– Ralph Raico
Professor, State University of New York College at Buffalo

"FEE has played an enormously important and positive role in my life. When I was fifteen years old, I thought that hardly anyone in the world had the same view of individual rights and freedom that I did. I learned differently after being invited to come up to FEE for a visit. As a direct result of that visit, a few months later I obtained an introduction to the great Ludwig von Mises and then, from him, an invitation to attend his seminar at NYU. I hope that FEE will continue to serve as a major beacon of freedom, inspiring new generations of young men and women through its publications and seminars on liberty."

– George Reisman
Professor, School of Business and Management Pepperdine University

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THE FREEMAN
IDEAS ON LIBERTY

The Literature of Liberty

by Edmund A. Opitz and Robert Batemarco

Part I

Words were the tools of Leonard Read's trade—spoken words, and words written. He was a gifted platform man, and starting in the mid-1930s became much in demand as a speaker before all kinds of audiences, large and small, in all parts of the nation. The Chamber of Commerce was his primary base of operation until he established the Foundation for Economic Education in 1946. Lecture engagements multiplied, and he continued to speak at FEE functions until shortly before his death, four months before his 85th birthday.

Despite Leonard's facility with words and his knack for establishing an empathic bond with audiences, he would often say that "public speaking is just about the most useless activity I know of." He put a speech in the same category as an advertising pitch or the spiel of the barker outside the sideshow—an inducement to buy a product or a ticket. Or it's a morale booster or a locker room pep talk.

Leonard's point was that a speech is little more than entertainment unless it persuades listeners to head for the library and hit the books. The main tool of the spoken word is rhetoric, which engages the imagination, the emotions, and the will. The written word, when seriously employed, also does this and much, much more. A good book aims at the intellect, relying mainly on reason and logic, using rhetorical devices only to buttress the argument, and employing examples from history and common experience to drive a point home.

An ordinary speech, after thirty or forty minutes, vanishes into thin air, except for the fragments which linger in the memory. And memory is fallible, as every speaker is painfully aware when reading the reconstruction of his remarks by a reporter, even by a reporter who is both trained and sympathetic. Once the speech is ended, a listener cannot easily refresh his memory of a specific point or a marvelous illustration that faded in an over-extended attention span.

The written word is different. A book may become a permanent possession which you can turn to again and again to better grasp the argument used by the writer to reach his conclusion—which so impressed you at the time, but which you now cannot recall! Find the right page, the matter becomes clear and the author's point clicks into the right slot in your memory bank.

Thus did Leonard, in the course of a very successful career as a public speaker, reach the conclusion that The Book is the most successful tool of genuine education. He decided to found an institution whose major purpose would be the publishing of books expounding the freedom philosophy in the contemporary American idiom.

Some of the great classics of liberty were

The Reverend Mr. Opitz, a contributing editor of The Freeman, *was a senior staff member of the Foundation for Economic Education until his retirement in 1992. He was book review editor of* The Freeman *for many years.*

In addition to editing the book review section of The Freeman, *Dr. Batemarco is a marketing research manager in New York City and teaches economics at Marymount College in Tarrytown, New York.*

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available in the mid-1940s: *The Wealth of Nations* by Adam Smith, *The Federalist Papers*, and some of the writings of Thomas Jefferson and James Madison—all in eighteenth-century prose, which differs somewhat from twentieth-century American! John Stuart Mill's *On Liberty* was available, but Herbert Spencer's *Man versus the State* was almost impossible to obtain in the 1930s in this country. Late in that decade Jim Gipson, the dedicated publisher in Idaho, read Albert Jay Nock's essay on Spencer and persuaded Nock to re-edit *Man versus the State* and provide a new introduction. The book got one appreciative review in a nationally syndicated column, but sales were meager. And then came an order for 500 copies from the Los Angeles Chamber! Thenceforth, as Leonard relates, he took cartons of the book to every meeting of the Chamber members and laid them under heavy persuasion to buy a copy of Spencer's classic collection of essays.

In 1943 three dauntless women, friends of Leonard, wrote challenging books on their own, opposing collectivism and upholding the ideal of individual liberty. In alphabetical order they were Rose Wilder Lane's *The Discovery of Freedom*; Isabel Paterson's *The God of the Machine*; and Ayn Rand's *The Fountainhead*. This last, a novel, has attracted a large following and—together with Ms. Rand's later writings—constitutes the cement binding together a significant movement of our time. *The God of the Machine* was remaindered in 1946, but is now back in print with an excellent and comprehensive new introduction. *The Discovery of Freedom* was reincarnated by Henry Grady Weaver, and self-published as *Mainspring*. FEE bought the rights to this book, expanded the title to *The Mainspring of Human Progress*, and has sold about a million copies. Lane turns first to the ancient Israelites, the people of the Old Testament, who planted the first seeds of freedom. Her final section explores our own sector of the planet where those early seeds came to fullest expression in America's founding documents and the political institutions they projected. These two sections of Lane's book cover ground fairly familiar to most readers, but chapter ten on the Saracens is an eye-opener. Islam is one of the three great monotheistic religions; it is world-wide, and has made contributions to western art, philosophy, literature, and science, especially during the Middle Ages. The Holy Qu'ran offers spiritual guidance for all Muslims, and it also deals with the laws, morals, and customary practice incumbent in every Islamic society. It has much to teach members of other faiths as well.

The Foundation "opened for business" in mid-1946; its first publication followed shortly. This was a book on wage theory by the head of the economics department at Yale, Fred Fairchild, a founding trustee of FEE. Fairchild's name is well remembered as one of the authors of the most widely used economic texts of the 1920s and early 1930s, *Principles of Economics*, in two fat blue volumes, by Fairchild, Furness, and Buck.

A series of pamphlets began to roll off FEE's presses, on economic topics of importance: tariffs, inflation, price controls, and the like. These were staff-written, in excellent prose, timely, and attractively printed. Nothing quite like them was available and the after-market orders came in by the tens of thousands.

Leonard had accumulated a small mailing list of friends and acquaintances from his years with the Chamber, and people who had been impressed with one or more of his speeches and left a card. They responded to his *modus operandi*: FEE would be a small group of scholars doing independent research and writing which, after surviving peer criticism, would be issued as a pamphlet. Each publication would be sent to those on the mailing list, and to others on request. Leonard had faith that if FEE's work was worthy, it would arouse interest, which would lead to financial support (a neat bit of symbiosis), and it worked. Leonard wrote a pamphlet with an intriguing title, "Students of Liberty." It was part confession, along the lines of: We of the FEE staff set out to be teachers, but the more deeply we delved into the complex issues of human freedom the more we realized that we were

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only learners—at best! We will do our best to learn, and we invite anyone interested in this learning process to look over our shoulders and share our results. At the first indication of your interest your name will be added to our mailing list without cost or obligation. . . .

Leonard abhorred fund-raising, but he did have a low key way of informing the FEE readership that FEE depends on voluntary contributions. For example, he'd enclose a reply envelope with this typical colloquy: "How's The Foundation doing financially, Leonard? . . . We're doing as well as you want us to do; if you want us to do better, tuck your check in the attached reply envelope!" This seemed to work well for the first thirty or so years of FEE's operation; but time, and the mores, change.

FEE got into the book business early on. Henry Hazlitt, a founding trustee, had written *Economics in One Lesson*, which was published by Harper and has been one of the best-selling economics texts ever—well over a million copies world-wide, in twelve languages, with about a third of these sold by the Foundation.

Frederic Bastiat (1801–1850) was a French politician and economic journalist. Leonard came under Bastiat's spell, especially his essay on *The Law*, which carefully elucidates the proper role of government in society. The mid-nineteenth-century British translation was unsatisfactory, so a FEE staffer was asked to put *The Law* into modern American idiom. Dean Russell's lively prose transformed the book into a best seller, with sales of more than half a million copies.

In the early 1950s FEE published four books: F.A. Harper's *Liberty: A Path to Its Recovery;* W. M. Curtiss's *The Tariff Idea*; Dean Russell's *The TVA Idea*; and Read's *Government: An Ideal Concept*. During this same period, FEE began to anthologize material previously published as pamphlets, (and, later included selections from *The Freeman)*. Thus began the series of volumes, of about 400 pages each, called *Essays on Liberty*, volumes I through XII, published from 1952 to 1965.

Dr. Paul Poirot assumed editorship of *The Freeman* with the January 1956 issue. Every month for thirty years Paul Poirot sifted through a pile of manuscripts, published the essays and reviews consistent with FEE's purpose, and wrote graciously to those whose manuscripts he rejected. Bound volumes of *The Freeman* have appeared annually since 1965, each carefully indexed: a veritable encyclopedia.

The literature produced by the Foundation—pamphlets, books, its journal—plus its hundreds of seminars and summer schools began to affect public opinion. Here and there a professor, or a clergyman, began to feel a kinship with our "freedom philosophy." More and more young people began to question the collectivist consensus. The Intercollegiate Studies Institute (then called the Intercollegiate Society of Individualists) began its operation from an office on FEE's third floor, circulating FEE's literature to college students. The word continued to spread; new journals appeared, thinkers of our persuasion began to teach and write; and the intellectual climate began to change, to the point where even some mainstream publishers produced an occasional book "of our kind." Now FEE's book catalogue stocks more than 400 titles! Under President Sennholz's energetic publishing program, FEE continues to expand its own releases.

A sampling, herewith, of the current FEE catalogue:

Ludwig von Mises is acknowledged by many as the greatest economic thinker of our time; perhaps of all time. Before coming to the United States in 1940, Mises had made a name for himself with his *Theory of Money and Credit*, *Socialism*, and other volumes of like stature. After arriving on these shores he contacted Henry Hazlitt, who had reviewed *Socialism* in the *New York Times*, and with whom he had corresponded. Hazlitt introduced Mises to Leonard Read, who later enlisted Mises as an adviser for the Foundation.

Mises' masterpiece, *Human Action*, was in gestation at this point, and in 1949 it was published by Yale University Press, but only after FEE had agreed to buy a sufficient

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number of copies to cover publication costs. The FEE catalogue lists fourteen Mises titles in addition to *Human Action*.

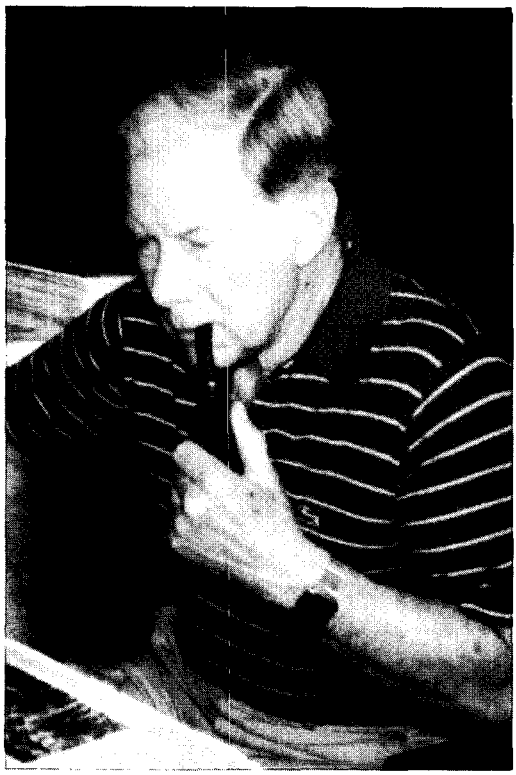
Hans Sennholz earned his doctorate under Mises at New York University, as did FEE Trustee Israel Kirzner, who is now a professor at that university. Selections from both appear in the catalogue.

Adam Smith's 1776 *The Wealth of Nations* is also listed, along with two seminal eighteenth-century works of political philosophy: Edmund Burke's *Reflections on the Revolution in France*, and our own classic, *The Federalist Papers*. During the latter part of the nineteenth century there appeared two books which, taken together, represent the fountainhead of the Austrian School: Carl Menger's *The Principles of Economics*, and Böhm-Bawerk's three-volume *Capital and Interest* (English translation by Sennholz).

Nobel Prize Laureate Hayek studied with Mises in Vienna, and is represented in the catalogue with *The Road to Serfdom, The Constitution of Liberty*, and eight other titles. Hazlitt's *Economics in One Lesson* is there, along with eight other titles and a 350-page anthology of his writings. And there's the late Murray Rothbard's comprehensive *Man, Economy and State* in two hefty volumes.

When a revived *Freeman* was launched in New York in 1950, John Chamberlain was one of its three editors, and was writing most of the book reviews. The Foundation took over the journal in 1955 and moved its offices to Irvington. Chamberlain, one of the nation's finest book critics, continued his brilliant *Freeman* reviews until his death in 1995. Four of his books are in the catalogue.

George Roche left the FEE staff to become President of Hillsdale College. His *Legacy of Freedom* was written while he was at FEE. It is carried by FEE along with eight other titles. Veteran FEE staffer Bettina Bien Greaves has spent a lot of time with her typewriter (now computer), and in research. She spelled out basic Austrian economics in two folio volumes: one, a book of theory, listing activities for classroom or personal instruction, and the second,



Edmund Opitz was FEE's resident theologian and Freeman *book review editor until his retirement in 1992.*

a collection of readings. She spent years of research in completing *Mises: An Annotated Bibliography*. I myself, a long-time FEE staffer, am represented in the catalogue with two books dealing with those sectors of society where economics, political theory, and theology interact.

In the early days of FEE some words of Albert Schweitzer were at work in the hinterland of Leonard's mind: "Civilization can only revive when there shall come into being in a number of individuals a new tone of mind independent of the one prevalent among the crowd and in opposition to it. . . . A new public opinion must be created privately and unobtrusively." This was the tactic of liberty as Leonard expounded it. Behold how it works!

Leonard Read's dream of a library of books expounding the literature of liberty has been fulfilled . . . and more. His own contribution to that library began in 1937 with his first book, *The Romance of Reality*. Twenty-seven more books followed, books

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of essays in the Emersonian vein, distilling the wisdom he had gained in a lifetime of work in the vineyard. Leonard left the body in 1983, but his inspiration lingers on in the thousands of people who live now at higher levels of achievement because of their encounters with him. —*EAO*

Part II

My initial encounter with *The Freeman* took place in the fall of 1974 when I saw an issue in the magazine display case at Georgetown University's Lauinger Library. It was a memorable time for partisans of liberty. For us, 1974 was that darkest part of the night which comes before the dawn. The year in which Richard Nixon was forced from office for the least of his misdeeds marked the end of a decade in which government made stepping beyond its proper bounds into an art form.

The most conspicuous encroachments of that era included the welfare state programs of the so-called Great Society, the sending of half a million conscripts to fight a war having no direct bearing on our national security, spoiling the achievement of eliminating government-sanctioned constraints based on race (Jim Crow) by establishing others (affirmative action), creating government agencies like OSHA and the EPA to micromanage the affairs of private businesses, the explicit adoption of Keynesianism as a guide for management of the economy, abandonment of the last vestiges of the gold standard, and the imposition of wage and price controls.

By 1974, the effects of these policies were starting to manifest themselves: the emergence of an underclass typified by welfare dependency and unprecedented rates of illegitimacy, rising unemployment, high inflation, a plummeting dollar, and long waiting lines for gasoline. The one bright note in this rhapsody of ruination was that more fingers were pointing at government as the culprit than at any time since the reign of George III.

At this same time, Austrian Economics was starting to re-emerge after three decades of undeserved obscurity. A conference on Austrian Economics held in South Royalton, Vermont, in June 1974 was a major event in the formation of a new generation of Austrian economists. Later that year, F.A. Hayek was awarded the Nobel Prize in economics, reviving interest within the economics profession at large.

Conferences and prizes are all well and good, but neither compares with books in terms of laying the groundwork for a deep understanding of what is meant by a free society, how far we have strayed from that ideal, and how to return to it. Certainly books were what did it for me. Let me share with you some of the books that were instrumental in shaping my development as an economist and an adherent of FEE's freedom philosophy. Although my initiation into the literature of liberty is a mere sampling of an exhaustive body, I hope other developing expositors of freedom will find this list helpful.

The first steps of my transformation from a college graduate who had but an inchoate feeling that something was wrong with the Keynesian economics he had recently learned to a full-fledged Austrian were taken under the guidance of Henry Hazlitt. I read his *The Failure of the "New Economics"* side-by-side and chapter-by-chapter with Keynes's *The General Theory of Employment, Interest and Money*, which Hazlitt's work so brilliantly took to task. Not only did Hazlitt make clear to me what a powerful engine of analysis Austrian economics was, he even permitted me to understand Keynes more clearly than the English inflationist's own murky prose was capable of doing.

Another book which not only deepened my economic understanding, but also channeled it in directions far afield of anything I had heard in a university classroom was *The Foundations of Modern Austrian Economics*, edited by Edwin G. Dolan. This book contained the papers presented by Murray Rothbard, Israel Kirzner, and Ludwig Lachmann at the aforementioned South Royalton conference. I was already aware, through Hazlitt, that the Austrians had their own theory of business cycle. This book,

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with its many discussions of methodology and the role of values in economic science, set me to thinking about a whole new set of issues distinguishing the Austrian approach from the standard fare served up in most universities' economics departments.

The case for the free market does not rest on economics alone. The moral case for capitalism is even more important, especially in a century where interventionists and socialists of every stripe have had so much success in usurping the moral high ground. Ayn Rand's greatest appeal to me is that she refused to let them get away with it. Never much drawn to novels, I made my acquaintance with her powerful ideas through two of her books of essays: *The New Left: The Anti-Industrial Revolution* and *Capitalism: The Unknown Ideal*. Her smiting of collectivism root and branch and her defense of reason versus the adulation of emotion, which so dominates our culture, made an immediate and lasting impression. She and her other contributors, especially Robert Hessen and Alan Greenspan, put a revisionist spin on such issues as antitrust legislation, the gold standard, and American economic history. I was fortunate to have read her works, and doubly fortunate to have done so when I was old enough not to have been infected by her hostility to religion and personal charity, as were many who first read her in their impressionable teen years.

Indeed, the more I understood about free market capitalism, the more I realized that it ultimately rested on the biblical injunction "Thou shalt not steal." One author who hammered this point home to me most effectively was Frederic Bastiat. His *Selected Essays on Political Economy* contains such classic essays as "The Law," "What Is Seen and What Is Not Seen," "The State," and "Property and Plunder." With ineluctable logic, he strips away the pretensions which delude people into believing that pillage is "less criminal because it is carried out legally and in an orderly manner," by the state, of course.

While the religious basis of Bastiat's moral case for capitalism was implicit, Edmund Opitz spelled out the relationship between revealed religion and economics in *Religion and Capitalism: Allies, Not Enemies* (1970). The confusion of Christian charity with the welfare state has not only caused too many Christians to reject free-market economics, but has also caused too many free-market economists to reject Christianity. By spelling out the unbridgeable nature of the chasm between Christian charity and the welfare state, Opitz helped to reduce both types of rejections. He also showed the inadequacy of purely materialistic conceptions of the production process, citing Mises' claim that, "[p]roduction is a spiritual, intellectual, and ideological phenomenon."

The spiritual side of production was also emphasized by George Gilder in his influential paean to the supply side, *Wealth and Poverty*. While somewhat flawed in its macroeconomics, this book put the future-oriented, risk-taking behavior of the entrepreneur in its rightful place as the key to economic prosperity. The sheer creativity of entrepreneurs precludes either modeling and describing an economy accurately with the contents of the econometrician's toolbox or of running it from the command post of the central planners. With a plethora of irresistible examples to flesh out the sources of wealth and poverty, Gilder brings to life the entrepreneurs who make prosperity possible.

I already mentioned that even in my undergraduate days, I knew that *something* was wrong with the Keynesian macroeconomics I was taught, even if I could not quite put my finger on precisely what. It was not until a few years later, when I was on the other side of the desk as a college professor, that I could no longer sidestep the inadequacies of standard *micro*economic theory. The book which most clearly elucidated the nature of the problem to me was Friedrich Hayek's *Individualism and Economic Order*. It was here that I read the clearest explanation I've seen to date of how the standard model of pure competition actually justifies the suppression of competition in the name of competition. His incisive treat-

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ment of the nature and role of knowledge in economic activity permitted me to understand the workings of the economy in a totally different way. His chapters on the socialist calculation debate provided a classic application of his theoretical insights.

Clearly, if these books are right, a great portion of the economics profession is wrong. And if those trained in economics can't get it right, one might expect non-economists to be totally at a loss. But not in the case of Paul Johnson. That journalist's monumental history of the twentieth century, *Modern Times*, explains much of the tragedy that has befallen those years as the inevitable consequences of moral relativism. It is one of the few histories I have ever read which embraces sound economics. Finding his chapter on the depression of the 1930s to lean heavily on Murray Rothbard's *America's Great Depression* was a pleasant surprise. In laying bare the ties that link socialism and fascism, in showing how Third World despots ravaged their homelands while pinning blame on a West only too eager to plead guilty, and even in rehabilitating the tattered image of President Warren G. Harding, who with seventy years of hindsight turns out to have been a surprisingly tough act to follow, Johnson is at once informative, entertaining, and iconoclastic.

While Johnson looks at some of the root causes of this century's worldwide plunge into statism, Robert Higgs takes a different approach. He wields public choice theory with consummate skill to show the opportunistic nature of the state in *Crisis and Leviathan*. His theme of government growth feeding upon crisis helps us to understand not only how government arrogates ever more power to itself, but also why it seldom relinquishes that power once the precipitating crisis is over. The historical record he thus analyzes illustrates this process occurring regardless of the party in power. In so doing, it makes clear how much more important are the similarities which bind such presidential pairs as Hoover and Roosevelt and Johnson and Nixon than the differences which distinguish them.

Of course, saying that there are tendencies for the government to grow is not the same as saying that such growth is automatic. Government cannot grow without many people choosing for it to grow. The recent demise of various socialist regimes around the world indicates more and more people choosing for it not to grow. In this country, the headlong rush to grant ever more power to the state has been, if not stopped, at least slowed. Perhaps the ideas in the aforementioned books have had some consequences which were not unintended. More people, including some in positions of power, seem to possess sound economic ideas, strong convictions regarding the sheer immorality of the redistributive apparatus of the state, and the ability to foresee the inevitable results of the state extending its tentacles into myriad activities where it does not belong than was the case in that pivotal year of 1974. All of the books whose influence I have cited have helped contribute to that outcome.

And the Foundation for Economic Education has helped by disseminating these books and others. Henry Hazlitt was a founding trustee of FEE, which published the most recent edition of his *Failure of the "New Economics." The Foundations of Austrian Economics* features contributions by Israel Kirzner and Murray Rothbard. Kirzner long served as a trustee of the Foundation and has contributed many articles to *The Freeman* over the years, while Rothbard has also had a number of pieces grace the pages of FEE's monthly. The translation of Bastiat's *Selected Essays in Political Economy* that I read was published by FEE. Edmund Opitz, author of *Religion and Capitalism: Allies, Not Enemies*, served many years on the Foundation's staff; and Robert Higgs, *Crisis and Leviathan*'s author, is a contributing editor of *The Freeman*. While neither Gilder, Hayek, Johnson, nor Rand had any official relationship with FEE, those works of theirs which I mentioned are currently carried in the FEE book catalogue.

May FEE's next fifty years build upon the framework it has laid in its first fifty. —*RB*

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"We at Liberty Fund are pleased to join the many other organizations in recognizing your accomplishments over the years.

Liberty Fund's founder, Pierre F. Goodrich, was in on the very beginning of FEE, and Liberty Fund has enjoyed a close relationship with Leonard Read, his successors, and the faithful FEE staff ever since.

Best wishes for another successful fifty years. There is much work to be done."

— ***J. Charles King***
President, Liberty Fund, Inc.

"It was the Fall of 1964, and I had been a subscriber to The Freeman *for several years including my undergraduate days at Regis University in Denver. By then, however, I had moved to Philadelphia where I was pursuing an MBA at The Wharton School of the University of Pennsylvania. I noted in an issue of* The Freeman *that FEE had weekend seminars. I checked with Don Lipsett and my other good friends at the Intercollegiate Studies Institute about the program. They were enthusiastic about my participation in it, and it was just a case of arranging to cover the expenses for this impecunious graduate student who was dependent on two part-time jobs for all discretionary income.*

My weekend with FEE was one of the most challenging and stimulating weekends in my life. The notion that a fundamental philosophy of freedom and free markets for free men was eye-opening to me.

Since then, I have been a regular reader of The Freeman, *and wish all of you at the Foundation for Economic Education another fifty years of glorious success in promoting limited government and individual freedom."*

— ***Edwin J. Feulner, Jr.***
President, The Heritage Foundation

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A REVIEWER'S
NOTEBOOK
reprinted from The Freeman, *November 1964*

The Case for the Free Market

John Chamberlain's monthly "Notebook" graced our pages for more than three decades.

by John Chamberlain

Every fourth year we get involved in the frenzied madness of a presidential election. Watching the quadrennial show, Leonard E. Read correctly estimates that politicians are powerless of themselves to change things. The politico, when he is running for office, is a mere resultant of forces. The way to move society on its axis is not to play politics. It is to persuade teachable people to think as you do. And the best way to do this is to be a good personal living example of the philosophy you hope to spread.

Leonard Read is not running for office, so he can freely say what some people would describe as the damnedest things. His book, *Anything That's Peaceful: the Case for the Free Market* wouldn't get him through the New Hampshire primary. He believes that government should be limited to such things as keeping the peace, preventing fraud, dispensing justice, and fending off attacks by foreign powers. He says it is violent coercion to force Social Security on anybody. He thinks that Robin Hood, who advocated taking money from one set of people to give it to another, should properly be called Robin Hoodlum. He argues that any type of government economic intervention forces human energy into shapes that are marketable only at the end of the police club. He doesn't consider that people think well in committee. He refuses to vote when the choice is between two trimmers. He challenges the idea that the government is peculiarly fitted to run the post office, or to maintain schools, or to plan the coming of either a good or great society. In short, his opinions are such that he couldn't be elected to the office of dog catcher, let alone win a state primary.

Nevertheless, Mr. Read, by insisting that the state should not intervene to keep people from doing anything at all that's peaceful, is beginning to shake up American society as no political figure has ever managed to do. I know this because I have witnessed the come-back of the freedom philosophy over the past twenty years. Mr. Read began in the nineteen forties as a still, small voice. He had a few accomplices then. There were a couple of emigrant economists of the Vienna neo-liberal school taking issue with the dominant Keynesian hosts. Three women—Ayn Rand, Isabel Paterson, and Rose Wilder Lane—were wondering what had gotten into men to make them think that the way to release energy was to deliver everybody to the dictates of a public planning authority. The columnists, radio commentators, and magazine writers who believed in economic freedom could be counted on a couple of hands. When the writer of this

Mr. Chamberlain (1903–1995) wrote the lead book review for The Freeman *for more than thirty-five years.*

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review teamed up with Henry Hazlitt and Suzanne La Follette to start *The Freeman*, he was told by an old friend, his first night city editor, that he had better consult a psychiatrist, for surely he was sick, sick, sick.

All of this was scarcely a generation ago. Mr. Read still sounds extreme to the conventional way of thinking when he says that education would be improved if there were no tax-supported public schools. But private schools throughout America have started to come back in recent years with a rush.

Mr. Read doesn't think you necessarily have to forbid socialistic enterprise by law to restore freedom. Take this matter of the federal monopoly of mail delivery, for instance. Mr. Read is satisfied that if the law were changed to permit private corporations to undertake the delivery of mail, and if an unsubsidized Post Office were to be put on an accounting basis comparable to that forced on private industry, some ingenious free enterprisers would soon compete the government out of the mail business. For what, so Mr. Read asks, is so difficult about delivering mail? The telephone company, in transporting the human voice three thousand miles from New York to San Francisco, does something that takes much more ingenuity. And, so Mr. Read adds, the American Telephone and Telegraph Company showed a profit of $22 billion when the Post Office was losing $10 billion.

That the climate has changed since Mr. Read, with a handful of confederates, started to preach the freedom philosophy is proved by the lip service that is now being paid to libertarian generalities. A candidate for vice president resigns as co-chairman of the socialistic Americans for Democratic Action and makes a sudden appearance before a number of important businessmen to assure them that he isn't anti-business. An occupant of the White House invites a prominent publisher to Washington to assure him he is all for self-made men. The TVA may still be regarded as sacrosanct, even when it burns coal to add to the electricity that is made by use of water power, but it is getting tougher to sell huge river development schemes to the public.

During the twenty years I've known him, Mr. Read has not, to the extent of my knowledge, ever argued for or against any specific Congressional bill as such. He has not attacked or supported specific men for specific public office. This is not because he values tax exemption for his foundation, for it is part of his fundamental creed. He can't have voted very often in his lifetime, for he believes that it is just as wrong to vote for a small-scale trimmer as it is to vote for a big one. As this country reckons things, he is the completely nonpolitical man. He even argues that we might do better if we were to choose our Congressmen for non-recurring terms by lot, for by such a method we would get representatives who would have no stake in buying voters with their own money. Such obliviousness to the emotions that are unleashed in most breasts in a campaign year is a marvel to behold.

Yet I do not doubt that Mr. Read will one day be a chief architect of a change in this country that will have a profound effect on our philosophy of government. He is a positive force, and, being such, he shapes the adaptation of other people without buttonholing them, or demanding that they vote for this or that bill or this or that man.

I say this with profound admiration, even though I have often, in my lifetime, voted for the man whom I have regarded as the "lesser evil." I have always been hopeful that a "lesser evil" might, in office, be more likely than a "greater evil" to see the light on the Road to Damascus. Almost invariably I have been disappointed, yet I persist in coming back for more. But contact with Mr. Read has done much to make me serene in the face of continual disappointment in the electoral process. Even "greater evils" can be forced, by changes in the intellectual climate, to slow the pace toward socialist goals. And when the natural listeners and followers in the middle begin to listen to the intellectuals of the right instead of the intellectuals of the left, even the greatest of "evils" will begin a new career of trimming in the right direction. □

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THE FREEMAN
IDEAS ON LIBERTY

Bastiat, Liberty, and *The Law*

by Sheldon Richman

"The state is that great fiction by which everyone tries to live at the expense of everyone else."

—Frederic Bastiat

Frederic Bastiat (1801–1850) holds a special place in the hearts and minds of the friends of liberty. There is no mystery here to be solved. The key to Bastiat's appeal is the integrity and elegance of his message. His writing exhibits a purity and a reasoned passion that are rare in the modern world. He always wrote to be understood, to persuade, not to impress or to obfuscate. Bastiat, like his spiritual descendant, Henry Hazlitt, is usually referred to as an economic journalist. If that is meant as derision, Bastiat's admirers may take comfort in the fact that the obscurants who talk to themselves in ever more arcane academic journals are never called economic journalists.[1]

Through the device of the fable, Bastiat deftly shattered the misconceptions about economics for his French contemporaries. When today, in modern America, we continue to be told, by intellectuals as well as by politicians, that the free entry of foreign-made products impoverishes us or that destructive earthquakes and hurricanes create prosperity by creating demand for rebuilding, we are seeing the results of a culture ignorant of Frederic Bastiat.[2]

But to think of Bastiat as just an economist is to insufficiently appreciate him. Bastiat was a legal philosopher of the first rank. What made him so is a slim volume that has undoubtedly turned more than a few young American "conservatives" into full-fledged libertarians. That book is *The Law* (1850).[3] Writing as France was being seduced by the false promises of socialism, Bastiat was concerned with law in the classical sense; he directs his reason to the discovery of the principles of social organization best suited to human beings.

He begins by recognizing that individuals must act to maintain their lives. They do so by applying their faculties to the natural world and transforming its components into useful products. "Life, faculties, production—in other words, individuality, liberty, property—this is man," Bastiat writes.[4] And since they are at the very core of human nature, they "precede all human legislation, and are superior to it." Too few people understand that point. Legal positivism, the notion that there is no right and wrong prior to the enactment of legislation, sadly afflicts even some advocates of individual liberty (the utilitarian descendants of Bentham, for example). But, Bastiat reminds us, "Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make laws in the first place."

For Bastiat, *law* is a negative. He agreed with a friend who pointed out that it is imprecise to say that law should *create* justice. In truth, the law should prevent

Mr. Richman is the author of Separating School and State: How to Liberate America's Families *(Fairfax, Va.: The Future of Freedom Foundation, 1994).*

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injustice. "Justice is achieved only when injustice is absent." That may strike some readers as dubious. But on reflection, one can see that a free and just society is what results when forcible intervention against individuals does not occur; when they are left alone.

Defending Life, Liberty, and Property

The purpose of law is the defense of life, liberty, and property. It is, says Bastiat, "the collective organization of the individual right of lawful defense." Each individual has the right to defend his life, liberty, and property. A group of individuals, therefore, may be said to have "collective right" to pool their resources to defend themselves. "Thus the principle of collective right—its reason for existing, its lawfulness—is based on individual right. And this common force that protects this collective right cannot logically have any other purpose or any other mission than that for which it acts as a substitute." If the very purpose of law is the protection of individual rights, then law may not be used—without contradiction—to accomplish what individuals have no right to do. "Such a perversion of force would be . . . contrary to our premise." The result would be unlawful law.[5]

A society based on a proper conception of law would be orderly and prosperous. But unfortunately, some will choose plunder over production if the former requires less effort than the latter. A grave danger arises when the class of people who make the law (legislation) turns to plunder.[6] The result, Bastiat writes, is "lawful plunder." At first, only the small group of lawmakers practices legal plunder. But that may set in motion a process in which the plundered classes, rather than seeking to abolish the perversion of law, instead strive to get in on it. "It is as if it were necessary, before a reign of justice appears, for everyone to suffer a cruel retribution—some for their evilness, and some for their lack of understanding."

The result of generalized legal plunder is moral chaos precisely because law and morality have been set at odds. "When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law." Bastiat points out that for many people, what is legal is legitimate. So they are plunged into confusion. And conflict.

> As long as it is admitted that the law may be diverted from its true purpose—that it may violate property instead of protecting it—then everyone will want to participate in making the law, either to protect himself against plunder or to use it for plunder. Political questions will always be prejudicial, dominant, and all-absorbing. There will be fighting at the door of the Legislative Palace, and the struggle within will be no less furious.

Sound familiar?[7]

Bastiat finds another motive—besides the desire for booty—behind legal plunder, or socialism: "false philanthropy." Again, he sees a contradiction. If philanthropy is not voluntary, it destroys liberty and justice. The law can give nothing that has not first been taken from its owner. He applies that analysis to all forms of government intervention, from tariffs to so-called public education.

Should the law be used to provide education? Bastiat replies:

> But the law is not, in itself, a torch of learning which shines its light abroad. The law extends over a society where some persons have knowledge and others do not; where some citizens need to learn, and others can teach. In this matter of education, the law only has two alternatives: It can permit this transaction of teaching-and-learning to operate freely and without the use of force, or it can force human wills in this matter by taking from some of them enough to pay the teachers who are appointed by government to instruct others, without charge. But in this second case, the law commits legal plunder by violating liberty and property.

Bastiat's words are as fresh as if they were written today. He explains that one can identify legal plunder by looking for laws that authorize that one person's property be given to someone else. Such laws should be abolished "without delay." But, he warns,

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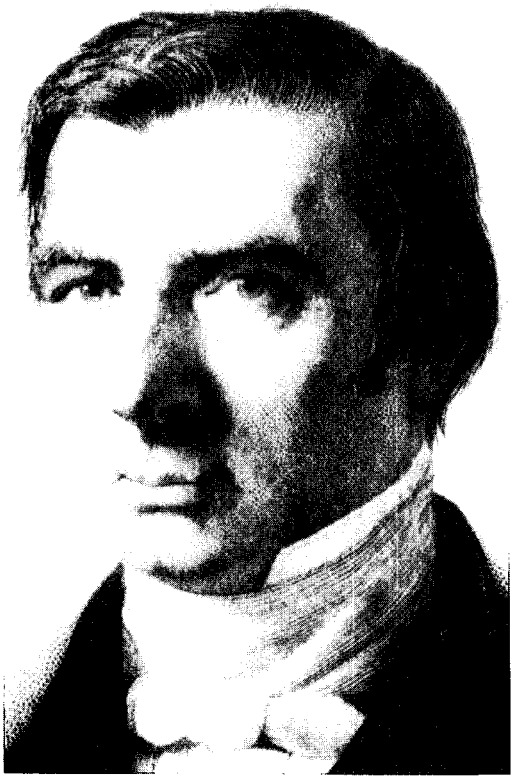

Frederic Bastiat, author of The Law.

"the person who profits from such law will complain bitterly, defending his *acquired rights*," his entitlements. Bastiat's advice is direct: "Do not listen to this sophistry by vested interests. The acceptance of these arguments will build legal plunder into a whole system. In fact, this has already occurred. The present-day delusion is an attempt to enrich everyone at the expense of everyone else."

The world view that underlies the distortion of law, Bastiat writes, holds man as a passive entity, lacking a motor of his own and awaiting the hand and plan of the wise legislator. He quotes Rousseau: "The legislator is the mechanic who invents the machine." Saint-Just: "The legislator commands the future. It is for him to *will* the good of mankind. It is for him to make men what *he wills* them to be." And the razor-sharp Robespierre: "The function of government is to direct the physical and moral powers of the nation toward the end for which the commonwealth has come into being."

Bastiat echoes Adam Smith's condemnation of the "man of system," who sees people as mere pieces to be moved about a chessboard. To accomplish his objectives, the legislator must stamp out human differences, for they impede the plan. Forced conformity (is there any other kind?) is the order of the day. Bastiat quotes several writers in this vein, then replies:

> Oh, sublime writers! Please remember sometimes that this clay, this sand, and this manure which you so arbitrarily dispose of, are men! They are your equals! They are intelligent and free human beings like yourselves! As you have, they too have received from God the faculty to observe, to plan ahead, to think, and to judge for themselves!

After quoting several of those writers who are so willing to devote themselves to reinventing people, Bastiat can no longer control his outrage: "Ah, you miserable creatures! You think you are so great! You who judge humanity to be so small! You who wish to reform everything! Why don't you reform yourselves? That would be sufficient enough."

Nor does Bastiat allow unrestrained democracy to escape his grasp. With his usual elegance, he goes right to the core of the issue. The democrat hails the people's wisdom. In what does that wisdom consist? The ability to pick all-powerful legislators—and that is all. "The people who, during the election, were so wise, so moral, so perfect, now have no tendencies whatever; or if they have any, they are tendencies that lead downward to degradation. . . . If people are as incapable, as immoral, and as ignorant as the politicians indicate, then why is the right of these same people to vote defended with such passionate insistence?" And "if the natural tendencies of mankind are so bad that it is not safe to permit people to be free, how is it that the tendencies of these organizers are always good?"

Bastiat closes his volume with a clarion call for freedom and a rejection of all proposals to impose unnatural social arrange-

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ments on people. He implores all "legislators and do-gooders [to] reject all systems, and try liberty."

In the years since *The Law* was first published, little has been written in the classical liberal tradition that can approach its purity, its power, its nearly poetic quality. Alas, the world is far from having learned the lessons of *The Law*. Bastiat would be saddened by what America has become. He warned us. He identified the principles indispensable for proper human society and made them accessible to all. In the struggle to end the legalized plunder of statism and to defend individual liberty, how much more could be asked of one man? □

1. Those who think that Bastiat's work lacks depth are referred to James Dorn, "Law and Liberty: A Comparison of Hayek and Bastiat," *The Journal of Libertarian Studies* 5 (Fall 1981):375–97 (in which Bastiat comes out the better), and Murray N. Rothbard, *Classical Economics: An Austrian Perspective on the History of Economic Thought*, vol. 2 (Brookfield, Vt.: Edward Elgar, 1995), pp. 444–48. Rothbard called Bastiat the "central figure" of the French *laissez-faire* school; he hailed Bastiat's rejection of the classical distinction between the productive creation of material goods and the unproductive creation of immaterial services, and his emphasis on the consumer, as "great *steps forward* toward Austrian theory." (*Ibid.*, p. 501.) See also Dean Russell, *Frédéric Bastiat: Ideas and Influence* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1965). We can be grateful that the Foundation for Economic Education has seen that Bastiat's work remains available.

2. Among Bastiat's immortal works, see his pre-Keynes refutation of Keynesianism, "What Is Seen and What Is Not Seen" in *Selected Essays on Political Economy*, trans. Seymour Cain, ed., George B. deHuszar (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1964).

3. Trans. Dean Russell (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1990 reprint). (All quotations are from that edition.) FEE first published the book in 1950, 100 years after the first publication.

4. The gap between the maintenance of life and issues of morality and rights was bridged about a century after Bastiat by Ayn Rand. See "The Objectivist Ethics" in *The Virtue of Selfishness* (New York: New American Library, 1964), pp. 13–35, in which she writes, "It is the concept of 'Life' that makes the concept of 'Value' possible. It is only to a living entity that things can be good or evil" (p. 16).

5. Hayek's distinction between *law* and *legislation* is valuable in this context. See F. A. Hayek, *Law, Legislation, and Liberty*, vol. 1, *Rules and Order* (Chicago: University of Chicago Press, 1973). See also Bruno Leoni, *Freedom and the Law*, expanded 3d ed. (Indianapolis, Ind.: Liberty Press, 1991), showing the connection between judge-found law and the free market, on the one hand, and legislation and central planning, on the other.

6. "When a portion of wealth is transferred from the person who owns it—without his consent and without compensation, and whether by force or by fraud—to anyone who does not own it, then I say that property is violated; that an act of plunder is committed" (p. 26). Note the conjunction *and* between *consent* and *compensation*, indicating that forced but compensated transfers also qualify as plunder.

7. Bastiat pointed to the United States as exemplary in confining the law to its objective purpose, except for two glaring lapses: slavery and tariffs.

"Years ago, when I went to work for Randy Richardson at the Smith Richardson Foundation, he introduced me to FEE's activities and publications. I have benefited enormously from them ever since. Indeed, I regularly bring your publications home for my own children. In our household, they are the equivalent of Dr. Spock – and much better for health and development as well.

Congratulations to all concerned on this important milestone. I hope FEE remains a vibrant part of our intellectual culture for many years to come."

– Leslie Lenkowsky
President, Hudson Institute

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THE FREEMAN
IDEAS ON LIBERTY

Classics Reconsidered

We asked several *Freeman* writers and book reviewers to select a significant book, or a personal favorite, published or reprinted within the last fifty years. Their choices are revealing and, in some cases, unexpected. All are worth sharing.

John Attarian:
Democracy and Leadership
by Irving Babbitt
Liberty Fund, 1979 (1924)

First published in 1924, Irving Babbitt's *Democracy and Leadership* remains one of this century's greatest works of political philosophy. Combining philosophy of history, a philosophy of civilization, deep reflection on human nature, and keen insights into the psychology of belief, it diagnoses modernity with matchless prescience.

For Babbitt, man's noblest characteristic is "a will to refrain." Like Burke, he recognized that social existence requires checks on desire and impulse, and that true liberty therefore rests on self-control. Unfortunately, since the Renaissance the West has seen ever-increasing indulgence in desires and emancipation from authority, culminating in Rousseau's advocacy of man's natural goodness and yielding to one's desires.

Rousseau's expansive egoism gained dominion because, Babbitt divined, man's main need is "to keep in good conceit with himself." Unwilling to discipline himself to standards, preferring to "expand freely along the lines of his dominant desire," man accepted Rousseau's view "not because it is true, but because it is flattering." Babbitt foresaw in consequence increasing self-indulgence and lawlessness; the advent of political adventurers; substitution of "compassionate" feelings for self-control as the index of virtue; and the rise of prophets of social service ravening for power and curtailing freedom.

Babbitt's analysis rings truer daily. Skirting the pervasive errors of philosophical materialism, economic determinism, and preoccupation with politics, Babbitt fingers the true source of our woes: man's infinite appetites and moral indolence. Hence his peerless explanatory power. Many observers now lament our decadence. None matches Babbitt's profundity. Who would understand modernity must read this book. □

Dr. Attarian is a free-lance writer in Ann Arbor, Michigan.

Leonard P. Liggio:
The Servile State
by Hilaire Belloc
Liberty Fund, 1977 (1913)

Hilaire Belloc (1870–1953) was indeed an Edwardian Radical as described in John McCarthy's biography (also published by Liberty Press). *The Servile State* represented Belloc's disgust with politics after serving in the House of Commons. He found politicians in control of organizing any new industries; cabinet officers determining which businessmen would control new industries. If capitalism were absolutely recognized, according to Belloc, government-created monopolies could not continue. But, from inside parliament, he saw "executive statesmen" determining which group of businessmen would operate that sphere of industry.

The system described by Belloc in 1913 emerged most fully as the corporatism of the 1930s; it extended from Berlin to Washington. F. A. Hayek in *The Road to Serfdom* saw Belloc as a prophet; and Robert Nisbet, in his introduction to this edition, notes "just as Belloc predicted, we find the real liberties of individuals diminished and constricted by the Leviathan we have built in the name of equality."

Belloc's attempt to place *The Servile State* in a historical causation does not succeed, any more than his foray into economic theory. But, he saw clearly what was happening around him, that business leaders were the ones who wished to replace private institutions with state systems of social security and unemployment insurance—to replace liberty and free markets with

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The Servile State. Thus, he showed that the socialist, the reformer, the politician, and the state-connected industrialist, whatever their philosophies, all are channeled into legislating *The Servile State*. □

Dr. Liggio is Distinguished Senior Scholar of the Institute for Humane Studies, George Mason University.

Raymond J. Keating:
Wealth and Poverty
by George Gilder
ICS Press, 1993 (1981)

Throughout much of the twentieth century, economists seemed destined to make themselves irrelevant. Emphasis on aggregate demand management and input-output economic models came to dominate the discipline, truly making it a dismal science. Though many outstanding economists fought nobly against this trend, by the 1970s the Keynesian victory of macroeconomics over microeconomics seemed almost complete.

It is against this backdrop that George Gilder's *Wealth and Poverty* was published. One should not underestimate what Gilder accomplished in this volume. He helped smash the Keynesian demand management model of the economy and replace it with a supply-side model centered on individual actions. Government as the lifeblood of the economy gave way to the entrepreneur as the true source of economic dynamism and growth.

Gilder even put to rest the idea that economics had to be dull, plodding, and increasingly narrow in focus. In *Wealth and Poverty*, Gilder managed to spark the reader's imagination. *Wealth and Poverty* called for the economist to understand much more than mere mathematics and GDP numbers; he must be willing to examine the entire human condition—history, psychology, technology, business, and faith—as Adam Smith had done.

Much of the moribund economics discipline still fails to acknowledge the merits of Gilder's *Wealth and Poverty*—to the detriment of both themselves and, unfortunately, their students. In contrast, I have come to view *Wealth and Poverty* as a vehicle of redemption—saving the soul of economics, if you will. □

Mr. Keating is chief economist with the Small Business Survival Foundation.

Murray Weidenbaum:
The Constitution of Liberty
by Friedrich A. Hayek
The University of Chicago, 1962

Friedrich Hayek's *Constitution of Liberty* surely merits front rank in any list of outstanding books on liberty, free market economics, history, and political philosophy. What is especially remarkable about the work is that it makes important contributions in each of these areas.

Personally, I have always been taken by the broad-minded view that Professor Hayek brought to his writings. Surely, this classic work strengthens the case for the free market. Yet, as a fine scholar, Hayek volunteers the notion that the marketplace can adjust to a substantial amount of government intervention.

Not that he advocates a large role for government, but he brings to bear a special wisdom in examining such controversial questions from a truly scholarly viewpoint. That rare trait is especially helpful in reaching those who now hold different viewpoints. □

Dr. Weidenbaum is chairman of the Center for the Study of American Business, Washington University, St. Louis.

Dwight R. Lee:
"The Use of Knowledge in Society"
by Friedrich A. Hayek
(reprinted in *Individualism and Economic Order*, Routledge and Kegan Paul, 1949)

If you want to learn as much as possible about economics from just one article, read Friedrich A. Hayek's "The Use of Knowledge in Society," published in the September 1945 issue of *The American Economic Review*. First, no other article explains the economic problem as clearly. Second, none provides a better understanding of the superiority of market economies. Third, it exposes one of the most deplorable fallacies in the standard approach to teaching economics. Finally, it throws a spotlight on the dangerous ignorance of economic planning.

Hayek points out that sensibly allocating scarce resources requires knowledge dispersed among many people, with no individual or group of experts capable of acquiring it all. Informed economic decision-making requires allowing people to act on the information of "time and place" that only they have, while providing a

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system of communication that motivates us and informs us on how best to do it. Market exchange and prices generate the information and motivation. Yet economics students are invariably taught that the market works properly only if all participants have perfect knowledge. This is nonsense, as Hayek explains. If everyone had perfect knowledge, the case for the market would largely disappear. The market is essential precisely because it allows people to benefit from widely dispersed knowledge when no one has more than the smallest fragment of that knowledge, not even government planners. Every time a government plan restricts market exchange, ignorance is substituted for knowledge.

Read Hayek's article and you will approach your future reading with a more informed perspective on what economics is about. □

Dr. Lee is Ramsey Professor of Economics at the University of Georgia, Athens.

William H. Peterson:
The Failure of the "New Economics"
by Henry Hazlitt
Van Nostrand, 1959; The Foundation for Economic Education, 1995

In the beginning was Say's Law—supply creates demand. But that was the "old economics." Now, glory be, we're blessed with the "New Economics"—demand creates supply—thanks to the "new" dazzling 1936 paradigm of *The General Theory of Employment, Interest and Money* by John Maynard Keynes. Lord Keynes stood Say's Law on its head, and so the business cycle has been mercifully repealed once and for all, of course.

Imagine, jobs for virtually everybody all the time. All central governments everywhere have to do is maintain "national income" at the level of "full employment." No big deal. Fine-tuners merely have to apply Keynes' equation (Y = C + I + G) and make sure macrodemand sustains adequate macrosupply through the magical "G" in the formula. G stands for government outlays, for economic—and political—paradise. So as Marx was a god in the nineteenth century, Keynes became a god in the twentieth.

Hazlitt devastates the "New Economics." G, says Hazlitt in a backcast and forecast of persistent inflation and recurrent recessions, leads but to "a constant race between the money supply and the demands of the trade unions—but it does not lead to long-run full employment."

Hazlitt warns the Keynesians against their forgetting that everybody's income is somebody else's cost, against their cavalier downplaying of excessive wage rates as a key cause of unemployment, against their temptation of deploying cheap money and deficit spending to even out the business cycle. But do the Keynesians and their friends in high places listen, even at this late date? □

Dr. Peterson is Distinguished Lundy Professor of Business Philosophy Emeritus at Campbell University, North Carolina.

James L. Payne:
The Right and Wrong of Compulsion by the State and Other Essays
by Auberon Herbert
Liberty Fund, 1978

The Right suffers from an awkward presentation of its vision. It declares itself for "liberty," a word that for most people means "the power to do as one pleases." So a great deal of effort is spent repudiating this meaning and asserting that liberty means "not under physical compulsion." Couldn't a more effective case against government be made if we set the term "liberty" to one side and declared that avoiding the use of force is our aim?

Auberon Herbert proves that it can. This late nineteenth-century English "voluntaryist" countered the emerging socialist movement by questioning its foundations in coercion. "In the long dark history of the world," he asks, "what real, what permanent good has ever come from the force which men have never hesitated to use against each other?" He explains how the governmental approach breeds anger and conflict: "As long as we believe in force there can be no abiding peace or friendship among us all; a half-disguised civil war will forever smoker in our midst." Coercive approaches typically hide problems, instead of solving them: "An evil suppressed by force is only driven out of sight under the surface—there to fester in safety and to take new and more dangerous forms."

In his moving defense of the voluntary principle, Herbert exhibits a remarkable patience and humility—a model to those of us sometimes too short-tempered for our own good. □

Dr. Payne is Bradley Fellow at the Heritage Foundation in Washington, D.C.

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Matthew Carolan:
Modern Times
by Paul Johnson
HarperCollins, 1983

"By the 1980s, state action had been responsible for the violent or unnatural deaths of over 100 million people, more perhaps than it had hitherto succeeded in destroying during the whole of human history up to 1900."

This one statement has remained with me, and has influenced me more than any other statement I have ever read. It is from Paul Johnson's *Modern Times*, a history of the twentieth century—a book which I received as a Christmas gift some years ago. It helped me then, as a young college student, to understand with chilling clarity the world into which I was born.

With a masterful combination of fact and anecdote, Johnson chronicles the century of "social engineering," which turned both ideas and persons into mere clay for the political class. He shows us the awful hubris of men like Stalin, and Hitler, and Mao, among others, and explains their kind of thought, which is unfortunately still with us. Johnson offers no bright vision of the future, but does us a service nevertheless by reminding us of the errors, and evils of the past. □

Mr. Carolan is Executive Editor of National Review.

William C. Dennis:
***In Defense of Freedom* and Related Essays**
by Frank S. Meyer
Liberty Fund, Inc., 1996 (1962)

In 1962, Frank S. Meyer, then Senior Editor at *National Review*, published his small, but controversial tract, *In Defense of Freedom: A Conservative Credo* (Henry Regnery). Here Meyer argued that what American conservatives had to conserve was largely an Anglo-American tradition of liberty. The purpose of the political order was to preserve individual liberty, Meyer maintained. Questions of virtue were to be left to the institutions of the great civil society. But only individually free-willed acts could produce virtue; so freedom and virtue were necessarily allies not enemies.

In this day of continued conservative factionalism, it would still profit people of good will on the right, particularly the younger conservative, to consider the implications of Meyer's thesis. □

Dr. Dennis is Senior Program Officer at Liberty Fund, Inc., in Indianapolis.

Jane S. Shaw:
Knowledge and Decisions
by Thomas Sowell
Basic Books, 1980

Physicists tell us that a solid rock is mostly empty space interspersed with occasional dense specks of matter. "In much the same way," says Thomas Sowell, "specks of knowledge are scattered through a vast emptiness of ignorance, and everything depends upon how solid the individual specks of knowledge are, and on how powerfully linked and coordinated they are with one another."

Knowledge and Decisions takes us on a tour through the vast emptiness of ignorance to show how dispersed knowledge forms the architecture of human institutions. Building on F.A. Hayek's insights in "The Use of Knowledge in Society," Sowell analyzes economic, political, and legal decisions in terms of their use or neglect of this knowledge. The book includes page after page of lapidary examples, from discussions of rent control, affirmative action, and intelligence tests to the reasons that people dislike "middlemen."

Sowell also addresses American history over the past century. Because the United States is now a nation of employees (rather than self-employed farmers), many people do not bear the consequences of their decisions directly. With feedback from their decisions weakened, they tend to demand political changes that reduce others' freedom and ultimately their own. And "experts," who have incentives to ignore dispersed knowledge, "solve" problems by overturning alternatives that people have found to be more valuable.

Sowell addresses other aspects of decision-making, such as constraints, trade-offs, and incentives. But knowledge is paramount, partly because few understand its importance. As this book achieves greater recognition, that understanding should grow. □

Ms. Shaw is a senior associate at PERC in Bozeman, Montana.

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Peter J. Boettke:
Human Action: A Treatise on Economics
by Ludwig von Mises
Yale University Press, 1949; Contemporary Books, 1966; The Foundation for Economic Education, 1996

The most important work published since FEE's founding in 1946, in my opinion, is Ludwig von Mises' *Human Action: A Treatise on Economics*, published in 1949. *Human Action* is the English rewrite (not just translation) of Mises' 1940 German work *Nationalökonomie: Theorie des Handelns und Wirtschaftens*. This is Mises' magnus opus—combining the great contributions to economic science he made in *The Theory of Money and Credit* (1912), *Socialism* (1922), and *Epistemological Problems* (1933) into an integrated treatise on economics and social theory. F.A. Hayek described *Nationalökonomie* as having such "width of view and intellectual spaciousness" that it reminds one of the great works of the eighteenth-century philosophers rather than those of the modern specialists.

The publication of *Human Action* led to several important intellectual movements in the second half of this century—all of which possess an important claim to our attention. First, Mises' book brought Austrian economics to America more than any other work. The book directly influenced the research path of Murray Rothbard and Israel Kirzner—the leading scholars of modern Austrian economics—but it also brought the public policy wisdom of the Austrian version of neoclassical economics to American audiences as represented in the essays of Henry Hazlitt, Hans Sennholz, Percy Greaves, and others. Mises' great intellectual system more than any other became the inspiring vision behind the work of free-market intellectuals and scholars.

Second, Mises' book rallied the anti-Communist conservative intellectual and political movement in the United States around a book that represented a direct challenge to Marx's works on a technical, philosophical, and polemical level. If the left had Marx, the right had—and has—Mises.

Third, Mises was one of the main intellectual inspirations behind the rebirth of classical political economy, and the unification of related disciplines through a common means of analysis—methodological individualism. This movement—seen in the work of James Buchanan and Gordon Tullock in political science, as well as James Coleman in sociology—is still developing better insights not only into the operation of economies, but to the social world in general. Mises' *Human Action* was the first systematic treatise to push the economic approach beyond market exchange into all realms of human action.

Future historians of the resurgence of classical liberalism in the later half of the twentieth century will have to accord Mises' great book its rightful place as the visionary treatise around which a movement rallied and grew and boldly faced off against Communism at a time when it was assumed that Communism had not only grabbed the higher moral ground but also the economic ground as well. Mises exposed the fallacies of Communism and socialism, as well as the contradictions of statism in general.

Mises' great work still inspires legions of young minds, and its finer points of analysis provide fodder for more mature minds to wrestle with and mull over again and again. It is a rare work. Many great books have been written by scholars and intellectuals since 1946, but none approaches the breadth, depth, and boldness of Mises' *Human Action*. □

Dr. Boettke teaches economics at New York University.

"I wish to express my congratulations, appreciation, and particularly my gratitude for FEE and its steadfast adherence to principles of freedom and individual responsibility. My father gave me a subscription to The Freeman *in the 1950s and I have received it ever since.*

May FEE long continue to exist and may all of its activities bear abundant fruit!"

– Hermona C. Beardslee
Pipe Creek, Texas

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The Freeman, Honor Roll of Authors, 1956–1996

(Authors of historical importance whose works have been reprinted are listed in italics.)

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